



National  
Qualifications  
RESOURCE

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**X822/77/01**

**Economics**

## **Marking Instructions**

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Please note that these marking instructions have not been standardised based on candidate responses. You may therefore need to agree within your centre how to consistently mark an item if a candidate response is not covered by the marking instructions.

## 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)	<ul style="list-style-type: none"> <li>occurs when the Central Bank buys UK Government Bonds (or Corporate Bonds) (in secondary markets) (1) with newly created electronic cash (1) in order to increase the money supply and raise AD (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>occurs when there is a persistent/sustained fall in the average/general price level (1)</li> </ul>	1	Award 1 mark for a valid description.
2.		<ul style="list-style-type: none"> <li>the retail banks might not pass on the lower interest rates to their customers, especially when rates are low, to protect their profit margins (1)</li> <li>low interest rates might not lead to higher borrowing by individuals/businesses because of low consumer/business confidence (1). Therefore, consumer spending/investment may not rise (1) which are components of AD (1)</li> <li>the Keynesian Liquidity Trap occurs when economic agents don't spend or invest even when interest rates are low because they hoard cash or reduce debt because of low confidence or fear of deflation (1)</li> <li>some households may save more when returns on savings are low to preserve future spending power (1). The biggest determinant of saving is not the interest rate but income (1)</li> <li>many households in the UK neither have savings or borrowings of any significance and are interest rate insensitive, which means their spending patterns are unaffected by changes in the interest rate (1)</li> </ul>	4	<p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
3.		<ul style="list-style-type: none"> <li>• negative interest rates encourage retail banks to lend out more, which increases borrowing (1) and this is because they have to pay a penal rate on their overnight deposits with the Bank of England (1)</li> <li>• this leads to higher consumer borrowing because interest rates on loans may fall to zero (1)</li> <li>• the bank may even contribute toward paying off the loan (1) for example in Denmark the customer paid back less than they borrowed (1)</li> <li>• retail banks might require savers to pay a fee/interest rates on their savings (1) which leads to a disincentive to save in a bank (1)</li> </ul>	5	<p>Candidates must describe at least 2 ways to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>
4.		<ul style="list-style-type: none"> <li>• a lower value of the Yen would make Japanese exports cheaper in foreign markets and thus boost their exports (1). The Japanese economy is reliant on exports to achieve economic growth because exports make up a significant proportion of GDP (1)</li> <li>• a lower value of the Yen makes imports into Japan more expensive and therefore less attractive (1) which should boost sales of domestic industries in the Japanese market (1)</li> <li>• this might improve current account of the Japanese BOP because the value of exports would go up and the value of imports would go down (1)</li> <li>• the overall impact of a fall in value of a currency on the value of exports and imports depends on their PED (1)</li> <li>• to increase the rate of economic growth as higher exports lead to higher aggregate demand (1)</li> <li>• to lower unemployment in Japan as jobs will be created in export industries (1)</li> </ul>	3	<p>Candidates must explain at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
5.		<ul style="list-style-type: none"> <li>• lower output as a smaller working population (1)</li> <li>• state receives less in taxation which worsens the public finances (1) and has to pay out more in pensions/benefits (1)</li> <li>• higher savings rate as the ageing population might be concerned to save for their old age (1). This could lead to the paradox of thrift (1) which means that higher saving leads to lower consumption which leads to lower AD and negative impacts on the whole economy (1)</li> <li>• higher spending on the healthcare (1)</li> <li>• higher dependency ratio (1) leads to a greater tax burden on working population (1)</li> <li>• filling skills gaps in the labour market (1)</li> <li>• could lead to decline in the size of population which could reduce the size of the economy (1)</li> <li>• the silver pound/pensioner poverty affects the spending power of pensioners (1)</li> <li>• may drive innovation and adoption of artificial intelligence (AI) (1)</li> <li>• more jobs in health and social care sectors (1)</li> </ul>	4	<p>Candidates must describe at least 2 impacts to gain full marks.</p> <p>Award <b>1 mark</b> for each valid description.</p> <p>Award <b>1 mark</b> for a valid development.</p>
6.		<ul style="list-style-type: none"> <li>• consumers delay expenditure which leads to lower consumer spending and aggregate demand (1)</li> <li>• asset prices tend to fall which leads to negative wealth effect (1)</li> <li>• deflation tends to be associated with a deflationary spiral of lower prices/ incomes and employment (1). This can lead to long and deep recessions (1) as was the case in the Great Depression/Japan's Lost Decade (1) economists describe this as L-shaped recession (1)</li> <li>• policy options to cure deflation are limited/ineffective (1)</li> <li>• however, high levels of inflation can be damaging especially if hyperinflation totally undermines the value of money (1) as in Weimar Germany where wheelbarrows were used to transport cash/Argentina where consumers reverted to bartering (1)</li> </ul>	5	<p>Award <b>1 mark</b> for each valid discussion point.</p> <p>Credit stagflation.</p> <p>Credit Keynes.</p>

Question		Expected response(s)	Max mark	Additional guidance
7.	(a)	<ul style="list-style-type: none"> <li>• The effects of the Covid pandemic have been associated with a sharp reduction in economic activity in the UK, which has resulted in deflationary pressures through a number of channels (1). For instance, there has been a temporary cut in VAT for hospitality, holiday accommodation and attractions (1). The pandemic has also led to lower global growth, which has weakened oil prices and lowered the price of motor fuels (1)</li> <li>• However, there have been differences in the impacts of the pandemic on demand and supply in different sectors of the economy, resulting in some inflationary pressures (1). For example, second-hand car prices have risen strongly recently (1), reflecting an increase in demand during the pandemic combined with tight supply conditions in the car manufacturing industry (1)</li> </ul> <p><b>Other measures that may be described are:</b></p> <ul style="list-style-type: none"> <li>• housing market</li> <li>• government finances</li> <li>• unemployment/recession</li> <li>• level of investment</li> <li>• exchange rate</li> <li>• food and clothing</li> <li>• supermarket price wars</li> <li>• impact of Brexit on tariffs and import prices</li> <li>• consumer and business confidence</li> <li>• pandemic/sector related issues</li> <li>• scarring from the recession</li> <li>• state of the global economy</li> </ul>	4	<p>Candidates must describe at least one deflationary and one inflationary pressure 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
	(b)	<ul style="list-style-type: none"> <li>The MPC should maintain the current base rate at 0.1%. The outlook for the economy remains uncertain, as the full economic impact of the pandemic remains to be seen (1). CPI inflation is expected to remain low during the first two quarters of 2021, so the Bank of England should not raise the base rate in this current climate (1). Conversely, although the UK economy has had a reduction in economic activity due to the impact of the pandemic, the reduction has not been enough to justify the introduction of a negative interest rates policy (NIRP) (1).</li> </ul> <p><b>Interest rate</b></p> <ul style="list-style-type: none"> <li>increase because ...</li> <li>no change because ...</li> <li>decrease because ...</li> <li>introduce negative interest rate because ...</li> </ul> <p><b>QE</b></p> <ul style="list-style-type: none"> <li>increase because ...</li> <li>no change because ...</li> <li>decrease because ...</li> </ul>	2	<p>Award 1 mark for each valid justification.</p> <p>Credit answers related to CPI target.</p>

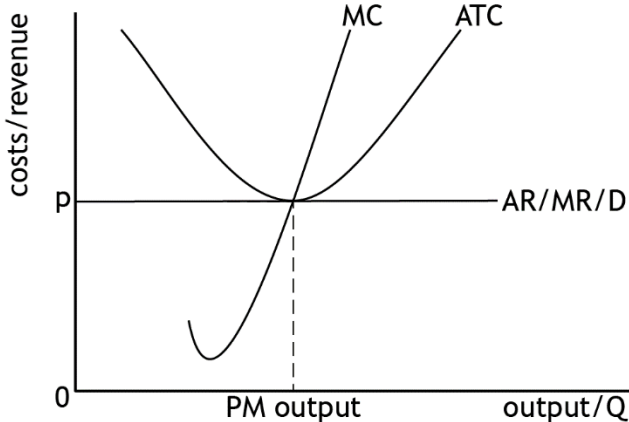


SECTION 2

Question		Expected response(s)	Max mark	Additional guidance
8.	(a)	<p>Negative externalities in production</p> <p>price</p> <p>PMB=SMB</p> <p>SMC</p> <p>negative externalities</p> <p>PMC</p> <p>P<sub>2</sub></p> <p>P<sub>1</sub></p> <p>0</p> <p>q<sub>2</sub> q<sub>1</sub></p> <p>quantity</p> <p><b>Diagram</b></p> <ul style="list-style-type: none"> <li>• correctly labelled curves (1)</li> <li>• showing SMC above PMC (1)</li> <li>• showing correct equilibrium (1)</li> <li>• correctly shaded/labelled deadweight loss (1)</li> </ul>	7	<p>Award up to 4 marks for correct diagram showing negative externalities in production.</p> <p>Award up to 4 marks for the explanation.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Accept negative externalities in consumption, including transport, and correct diagram.</p> <p>Axes can be labelled price/quantity or costs/benefits and output.</p>

Question		Expected response(s)	Max mark	Additional guidance
		<p><b>Explanation</b></p> <ul style="list-style-type: none"> <li>• climate change is caused mainly by negative externalities in production caused by the burning of fossil fuels (1) which lead to the CO<sub>2</sub> emissions, which cause global warming and negative impacts on third parties (1). For example, changing weather patterns and rising sea levels are already impacting populations and economies (1)</li> <li>• negative externalities in production lead the price mechanism to underprice and overproduce the product (1). This is because the producer only takes into consideration the private costs of production and fails to take into consideration the negative impacts on 3<sup>rd</sup> parties of production/external costs/negative externality (1) which leads to a divergence between private costs (costs to the producer) and the social costs/full costs to society (private + external costs) (1). This overprovision/oversupply leads to a loss of social welfare/deadweight loss (1)</li> </ul>		
	(b)	<p><b>National measure</b></p> <ul style="list-style-type: none"> <li>• <b>Carbon Tax</b> is imposed on those firms which have large CO<sub>2</sub> emissions. This has the benefit of the ‘Polluter Pays’ principle (1) and this would go some way to making sure that producers who emit the most emissions would have to internalise the external costs they are responsible for/full costs of production (1). This should raise their costs and prices leading to lower profits and lower output which would eliminate the negative externality (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 CO<sub>2</sub> emissions for each firm and then tax accordingly (1). National governments are often unenthusiastic about imposing them because they tend to raise prices (1)/lower output/economic growth (1)/reduce international competitiveness (1)</li> </ul>	6	<p>Candidates must evaluate one national and one international economic measure to gain full marks.</p> <p>Award 1 mark for each valid evaluation.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<p><b>International measure</b></p> <ul style="list-style-type: none"> <li>• <b>International Trading Carbon Permit Scheme</b> similar to the EU Carbon Trading Scheme. Under these schemes a total cap on emissions is set for a group of countries/companies and then each has to buy/is allocated 'permits to pollute' up to their agreed limit (1). Those countries which over-comply can sell permits and gain income, whereas those who under-comply have to buy extra permits and bear a financial cost (1). In theory these schemes should incentivise countries to over-comply so that they can benefit from selling permits (1). It also allows for a maximum level of pollution to be set (1). However making these schemes work in practice is difficult because there are issues over global monitoring and policing (1). How to make them legally binding is difficult (1). Some countries such as the US which is a big polluter have refused to ratify any treaty (1). Emerging economies were initially excluded from early treaties but are increasingly on board, but want compensation (1) or financial help with cleaner technologies (1)</li> </ul> <p><b>Other national measures include:</b></p> <ul style="list-style-type: none"> <li>• subsidies for greener tech</li> <li>• banning diesel cars</li> <li>• subsidise electric cars</li> <li>• recycling</li> <li>• eating less meat</li> <li>• reducing packaging</li> <li>• rewilding</li> <li>• reforestation</li> </ul> <p><b>Other international measures include:</b></p> <ul style="list-style-type: none"> <li>• reforestation</li> <li>• preventing rainforest destruction</li> <li>• international regulations on emissions standards</li> </ul>		

Question	Expected response(s)	Max mark	Additional guidance
(c)	<p data-bbox="607 245 1189 277">Long run equilibrium in perfect competition</p>  <p data-bbox="349 767 461 799"><b>Diagram</b></p> <ul data-bbox="349 804 875 871" style="list-style-type: none"> <li>• correctly labelled curves (1)</li> <li>• showing profit maximising output (1)</li> </ul> <p data-bbox="349 906 510 938"><b>Explanation</b></p> <ul data-bbox="349 943 1391 1318" style="list-style-type: none"> <li>• in the LR the firm is productively efficient because it produces at the lowest point on its ATC curve (1). This is the optimal production point because each unit produced will be at lowest cost (1)</li> <li>• allocative efficiency occurs when resources are put to their most highly valued use (1). In the LR the firm is allocatively efficient because it produces at the point where <math>P=MC</math> (1). This is because this is the point where the value to society of consuming the last unit is equal to the cost of producing it (1). If this is not the case, society would be better off if more/less is produced (1). It is the point where social welfare is maximised in the market (1) ie where consumer and producer surplus are at their greatest (1)</li> </ul>	6	<p data-bbox="1536 217 2112 280">Candidates must explain both productive and allocative efficiency to gain full marks.</p> <p data-bbox="1536 320 2112 352">Award up to 2 marks for a correct diagram.</p> <p data-bbox="1536 392 2040 424">Award up to 5 marks for explanations.</p> <p data-bbox="1536 464 2074 496">Award 1 mark for each valid explanation</p> <p data-bbox="1536 536 2096 568">Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
(d)	<p><b>Advantages could include:</b></p> <ul style="list-style-type: none"> <li>• natural monopolies have such high economies of scale that they can produce more cheaply and at lower price <b>(1)</b> than if the market was broken up into smaller firms which would be less efficient <b>(1)</b></li> <li>• monopoly is a more dynamic model than the static model suggests and therefore a monopoly can be temporary <b>(1)</b> as new technologies can come along and wipe them out <b>(1)</b> this is the Theory of Creative Destructionism as proposed by Joseph Schumpeter <b>(1)</b></li> <li>• monopolists can price discriminate which means that they sell the same product to different groups of customers at different prices <b>(1)</b> which benefits the group of consumers who previously could not afford the good <b>(1)</b></li> <li>• economies of scale – lower prices for consumers</li> <li>• abnormal profit being invested in R&amp;D – creating new products and processes</li> </ul> <p><b>Disadvantages could include:</b></p> <ul style="list-style-type: none"> <li>• consumer exploitation due to a lack of competitive pressures/high barriers to entry monopolist can charge higher prices <b>(1)</b> for lower quality output <b>(1)</b></li> <li>• allocatively inefficient</li> <li>• productively inefficient</li> <li>• lack of incentive to improve</li> <li>• unfair trading practices to maintain barriers to entry</li> </ul>	6	<p>Candidates must discuss at least one advantage and one disadvantage to gain full marks.</p> <p>Award <b>1 mark</b> for each valid discussion point.</p> <p>Award <b>1 mark</b> for each valid development.</p>

## SECTION 3

Question		Expected response(s)	Max mark	Additional guidance
9.	(a)	<p><b>Coronavirus Job Retention Scheme (Furlough Scheme) (20 March 2020 onwards)</b></p> <ul style="list-style-type: none"> <li>it paid 80% of salary for staff who were kept on by their employer, covering wages of up to £2,500 a month (1)</li> </ul> <p><b>Part-time Job Support Scheme</b></p> <ul style="list-style-type: none"> <li>employee must work at least 33% of hours, employer pays 22% and government pays 22% (1)</li> </ul> <p><b>Self-Employment Income Support Scheme</b></p> <ul style="list-style-type: none"> <li>80% of past average monthly trading profits for previous three years (1)</li> </ul> <p><b>Eat Out To Help Out Scheme</b></p> <ul style="list-style-type: none"> <li>the UK-wide government promotion gave people up to 50% off when eating - or drinking soft drinks - in a participating restaurant or other food establishment (1)</li> <li>the maximum discount was £10 per person (1)</li> <li>it was valid all day on Mondays, Tuesdays, and Wednesdays (1)</li> </ul> <p><b>Other measures to support firms and workers included:</b></p> <ul style="list-style-type: none"> <li>£1,500 for every out-of-work 16-24-year-old given a 'high quality' six-month work placement (1)</li> <li>£2,000 for every under-25 apprentice taken on until the end of January 2021, or £1,500 for over-25s (1)</li> <li>VAT payments by companies deferred until the end of June 2021 (1)</li> <li>interest free cash grants to small businesses (1)</li> <li>self-assessment income tax payments for July 2020 deferred for six months (1)</li> </ul>	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> <p>Accept any other relevant measures that have taken place/announced and subsequently replaced.</p> <p>Award up to 2 marks for use of accurate statistics for Question 9.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<ul style="list-style-type: none"> <li>• The government also made an announcement on 8 July 2020 allowing VAT registered businesses to apply a temporary 5% reduced rate of VAT to certain supplies (1) relating to: hospitality/hotel and holiday accommodation/admissions to certain attractions (1)</li> </ul> <p><b>Schemes that were announced and subsequently replaced:</b></p> <ul style="list-style-type: none"> <li>• £1,000 for every furloughed employee kept on until at least the end of January 2021 (1)</li> </ul> <p><b>Update on Job Retention Scheme (22 October 2020)</b></p> <ul style="list-style-type: none"> <li>• instead of a minimum requirement of paying 55% of wages for a third of hours, as announced in September 2020 at the launch of the Winter Economic Plan, employers will have to pay for a minimum of 20% of usual hours worked, and 5% of hours not worked. The government will now fund 62% of the wages for hours not worked. This more than doubles the maximum payment to £1,541.75 a month</li> </ul> <p><b>Update on Job Retention Scheme (1 November 2020)</b></p> <ul style="list-style-type: none"> <li>• workers at firms told to shut because of coronavirus rules over the winter received at least 67% of their pay from the government (1)</li> <li>• the government paid up to a maximum of £2,100 a month - for each employee (1). Staff must be off work for a minimum of seven days to be eligible, and their employer doesn't have to pay towards their salary (1)</li> </ul>		

Question	Expected response(s)	Max mark	Additional guidance
(b)	<ul style="list-style-type: none"> <li>• increasing government spending (such as increasing universal credit or investing in HS2) can increase employment and can increase disposable incomes (1). An increase in incomes may lead to higher consumer spending this feeds through to higher AD, (1) however the increase in AD could lead to inflationary pressures (1). The higher government spending can cause an increase in the budget deficit (1). The increase in AD could lead to increased output incomes and employment and cause a positive multiplier effect (1)</li> <li>• the furlough scheme introduced by the government avoided a rapid rise in unemployment (1). As well as the avoiding costs in having to fire and rehire workers, (1) however it is very costly to the government to do this (1). The scheme was quick to introduce, (1) but the cost the taxpayer was considerable (1). There is a great potential for fraud as firms could claim benefits when the worker was still working (1). It was too short term and had to be extended (1) it was untargeted and went to all sectors of the economy rather than businesses that were legally required to close (1). All businesses received the same rate so some companies who could afford it still benefitted (1). Some economists have argued that it has prolonged the life of so-called zombie firms (1)</li> </ul> <p><b>Other measures that may be discussed are:</b></p> <ul style="list-style-type: none"> <li>• reducing taxation</li> <li>• investing in infrastructure</li> <li>• investing in training and education</li> <li>• providing incentives for research and development</li> <li>• reducing employment protection</li> <li>• encouraging labour market flexibility to provide a boost to investment (Zero-hour contracts/immigration policy)</li> <li>• providing political and economic stability</li> <li>• negotiating free trade agreement(s) - post Brexit</li> </ul>	9	<p>Candidates must discuss at least 2 measures to gain full marks.</p> <p>Award <b>1 mark</b> for each valid discussion point.</p> <p>Award <b>1 mark</b> for each valid development.</p> <p>DNA descriptions of measures already described in (a).</p>



Question	Expected response(s)	Max mark	Additional guidance
(c)	<p><b>Negative</b></p> <ul style="list-style-type: none"> <li>crowding out - a large budget deficit puts pressure on interest rates to rise (1) because the government may need to raise the rates of the return they pay on government bonds to attract sufficient lenders (1). These higher interest rates on government bonds lead to higher retail/commercial bank rates which makes funding investment more expensive (1) thus higher government spending just replaces investment spending in the private sector (1), leading to lower net impact on GDP (1). This hasn't happened because the government has been able to borrow at historically low interest rates, (1) so the burden of interest has not risen/interest payments are affordable at the moment (1)</li> </ul> <p><b>Other negative implications may include:</b></p> <ul style="list-style-type: none"> <li>burden of debt and interest payments</li> <li>intergenerational unfairness</li> <li>negative impact on credit rating</li> <li>Ricardian Equivalence</li> <li>impact of confidence</li> <li>risk of sovereign debt crisis</li> <li>dangers of external ownership of bonds</li> </ul> <p><b>Positive</b></p> <ul style="list-style-type: none"> <li>investment in infrastructure - higher spending on roads and railways can help increase the potential supply capacity of the economy (1). Improving transport could make workers more mobile, so making labour markets more efficient (1). Investing in digital infrastructure such as a 5G network could also boost productivity (1) and could lead to an increase in foreign direct investment (1). This can also boost long-term economic growth but in the short term may have no impact (1)</li> </ul>	10	<p>Candidates must evaluate at least 2 implications to gain full marks.</p> <p>Award 1 mark for each valid evaluation.</p> <p>Award 1 mark for each valid development.</p> <p>Candidates do not have to evaluate both positive and negative implications to gain full marks.</p>

Question		Expected response(s)	Max mark	Additional guidance
		<p><b>Other positive implications may include:</b></p> <ul style="list-style-type: none"> <li>• raises economic growth rate</li> <li>• positive multiplier effect</li> <li>• can boost productivity</li> <li>• reduces poverty and inequality</li> <li>• if regional it can assist ‘levelling-up’</li> <li>• environmental agenda can be addressed</li> </ul>		
10.	(a)	<p><b>Individual</b></p> <ul style="list-style-type: none"> <li>• unemployed people tend to experience lower income/have lower standard of living <b>(1)</b></li> <li>• longer term unemployment might lead to loss of skills <b>(1)</b> leading to the unemployed being less employable in the future <b>(1)</b></li> <li>• loss of status/lower self-esteem - leading to longer term unemployment <b>(1)</b></li> </ul> <p><b>UK economy</b></p> <ul style="list-style-type: none"> <li>• output is lower than it could be/opportunity cost <b>(1)</b></li> <li>• government may need to pay higher benefit payments <b>(1)</b></li> <li>• lower income/VAT tax revenues <b>(1)</b></li> <li>• falling aggregate demand and lower rates of economic growth <b>(1)</b> leading to a negative multiplier effect <b>(1)</b></li> <li>• social costs of unemployment leading to higher government spending <b>(1)</b></li> <li>• government will need to allocate more resources for retraining/Job Centres <b>(1)</b></li> <li>• rise in inequality/poverty <b>(1)</b></li> <li>• leads to a ‘lost generation’ - has impact on future employability and earnings <b>(1)</b></li> <li>• mental and physical health issues leading to higher NHS cost <b>(1)</b></li> </ul>	<b>8</b>	<p>Candidates must describe at least one cost to the individual and one cost to the UK economy 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> <p>Award up to <b>2 marks</b> for use of accurate statistics for Question 10.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(b)	<ul style="list-style-type: none"> <li>subsidies for businesses taking on young workers. This has the benefit of being a targeted measure but has a cost to the taxpayer (1). It also may mean that older workers are pushed out and young workers just replace older more expensive workers (1). Some businesses would have employed the young person without the financial incentive so in that way can be wasteful of public money (1). Government introduced the Kickstart Scheme (which is £1,500 training grant plus 6 months fully paid wage) for employing a 16-24-year-old (1)</li> </ul> <p><b>Other policies that may be discussed are:</b></p> <ul style="list-style-type: none"> <li>investment in apprenticeship schemes/training programmes</li> <li>investment in colleges and vocational education</li> <li>more places in Higher Education</li> <li>increase the school leaving age</li> <li>investment in areas of social deprivation to prevent generational unemployment</li> <li>increase access to/expansion Education Maintenance Allowance (EMA)</li> <li>including 23-and 24-year olds in a National Living Wage</li> </ul>	8	<p>Candidates must discuss at least 2 policies to gain full marks.</p> <p>Award <b>1 mark</b> for each valid discussion point.</p> <p>Award <b>1 mark</b> for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
(c)	<ul style="list-style-type: none"> <li>• higher tax revenues will help reduce the budget deficit and improve the public finances (1). Cutting the size of the budget deficit will avoid the damaging impacts of a high and persistent budget deficit (1).</li> <li>• higher taxation may lead to lower consumer spending/lower standard of living/lower disposable income (1) which would cause aggregate demand to fall (1)</li> </ul> <p><b>Income tax</b></p> <ul style="list-style-type: none"> <li>• raising income tax can raise a lot of revenue depending on which band is changed (1). Increasing lowest band of income tax raises the most revenue as it targets the most people (1). However, raising the top band might be fairer than increasing the rate of those in the lower band of income tax (1)</li> <li>• there is an opportunity to make the tax system more progressive and reduce income inequality (1)</li> <li>• higher marginal rates of income tax can lead to disincentive effects such as tax evasion and tax avoidance which lower tax revenues (1)</li> <li>• credit the Laffer curve (1)</li> </ul> <p><b>VAT</b></p> <ul style="list-style-type: none"> <li>• raising VAT can raise a high level of revenue from a wide tax base/wider than an income tax (1)</li> <li>• VAT is regressive, although the negative impacts can be reduced through zero rating (1)</li> <li>• VAT leads to higher prices and inflation which reduces consumer purchasing power (1)</li> <li>• increasing VAT on those sectors hard hit by the pandemic could lead to individual business failure (1)</li> </ul>	9	<p>Candidates must analyse at least one consequence of increasing the rate of income tax and one consequence of increasing the rate of VAT to gain full marks.</p> <p>Award 1 mark for each valid analysis.</p> <p>Award 1 mark for each valid development.</p> <p>Accept reference to Scottish income tax bands.</p>

Question		Expected response(s)	Max mark	Additional guidance
11.	(a)	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• lower congestion on roads (1)</li> <li>• will encourage people to travel by train (1)</li> <li>• will free up capacity on existing rail lines (1)</li> <li>• will enable more local commuter services (1)</li> <li>• more freight trains could reduce lorries on the road (1)</li> <li>• will provide jobs in building and running the line (1)</li> <li>• journey times will be reduced (1)</li> <li>• may improve productivity (1)</li> <li>• may reduce short-distance air travel (1) leaving a lower carbon footprint/reducing pollution (1)</li> <li>• shows government commitment to improve infrastructure (1) which may attract foreign businesses to locate in UK (1)</li> <li>• cost can be spread over up to 20 years thereby reducing impact on government finances (1)</li> </ul> <p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>• environmental costs of building line through countryside (1)</li> <li>• high opportunity cost of spending £100bn on HS2 - such as fixing potholes on roads etc (1)</li> <li>• costs continue to rise, from an initial £56bn (1)</li> <li>• there are more cost-effective ways to increase capacity, such as building HS3 (1)</li> <li>• some argue that the initial jobs creation will be London-centric/failing to reduce regional inequality (1)</li> <li>• changes to work patterns, such as an increase in working from home, mean that HS2 could be obsolete upon its completion in 2040 (1)</li> </ul>	6	<p>Candidates must describe at least one advantage and one disadvantage 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> <p>Award up to <b>2 marks</b> for use of accurate statistics for Question 11.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	<ul style="list-style-type: none"> <li>• government could increase the national living wage, but it only affects a small proportion of the workforce as most workers earn above NLW (1). It could also add to the costs of firms and may impact employment, as firms cut back on labour costs (1). It could also impact UK firms' overall competitiveness (1) and could be inflationary if higher labour costs are passed on to consumers (1)</li> <li>• government could increase state benefits. These could be means tested which would reduce poverty and associated socio-economic inequality (1). They can also be targeted at the most vulnerable groups (1). However, increasing state benefits may have to be paid for by increases in taxation or government borrowing (1) which would have a negative impact on public finances (1)</li> <li>• investment in education and training, which could lead to improving access to higher education (1), with potential future higher earnings (1)</li> <li>• investment in affordable housing, which could improve labour and social mobility (1)</li> <li>• investment in infrastructure could improve transport links, which would allow workers to commute to locations with higher earnings jobs (1)</li> <li>• providing funding for apprentice schemes could allow workers to access high-skilled jobs (1)</li> <li>• improving healthcare provision could reduce health inequality leading to greater employability (1)</li> <li>• government could introduce measures to deal with social equality such as forcing universities to accept a certain ratio of students from areas of deprivation but some individual students may still not be able to afford tuition fees (1)</li> <li>• the government could introduce a wealth tax as proposed by Thomas Piketty to assist redistribution but this may lead to tax avoidance (1)</li> </ul>	10	<p>Candidates must evaluate at least 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>Candidates can evaluate either income inequality or wealth inequality, or both.</p>

Question		Expected response(s)	Max mark	Additional guidance
		<ul style="list-style-type: none"> <li>• funds gained from increases in inheritance tax could be redistributed to the most vulnerable but this may be seen as controversial and the state interfering in family life (1)</li> <li>• government could encourage the highest earners to donate a small percentage of their earnings to those most in need, such as Common Goal, however these initiatives are mostly voluntary (1)</li> <li>• a progressive increase in Stamp Tax for the most expensive properties would impact more on the wealthy but may discourage rich foreigners from coming to the UK (1)</li> <li>• make the tax system more progressive with more tax bands as in Scotland but may make the tax system more complicated as a result (1)</li> </ul>		
	(c)	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• some workers may have flexibility to choose to work at hours that suit them, (1) often attractive for those workers who are trying to work around family schedules (1)</li> <li>• some workers may have the flexibility to work from a remote office or from home (1)</li> <li>• some companies pay gig workers more due to not having to pay employee benefits in addition to salary (1)</li> <li>• students may benefit as they can obtain a higher education while working, as both studying and the gig economy are flexible (1)</li> <li>• labour flexibility allows small firms to save costs, (1) who may not have to pay for certain up-front costs such as staff uniforms (1) and shaving off the costs of 'dead time' (1)</li> <li>• labour flexibility allows small firms to quickly scale their company, (1) which can help meet market demand (1)</li> <li>• gig economy workers are often various ages and skill level which allows firms to utilize workers for different projects (1)</li> <li>• labour market flexibility can attract FDI into the UK, (1) which could help deliver productivity gains (1)</li> <li>• lower unemployment as new jobs are created (1)</li> </ul>	9	<p>Candidates must discuss at least one advantage and one disadvantage to gain full marks.</p> <p>Award <b>1 mark</b> for each valid discussion point.</p> <p>Award <b>1 mark</b> for each valid development.</p> <p>Credit zero hours contracts.</p> <p>Watch for flips.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>• gig economy workers may not receive additional benefits, such as paid holidays and sickness pay (1)</li> <li>• if classified as ‘independent contractors’ they have no protection against unfair dismissal (1)</li> <li>• long-term uncertainty can cause anxiety for some workers (1). Professor Guy Standing argues that this can lead to a new classification of worker called ‘the precariat’ (1)</li> <li>• the gig economy is often accused of exploitation of workers (1)</li> <li>• gig workers have to track and pay their own taxes (1). This can be particularly complex for those in the gig economy because they may be working a multitude of different jobs across various sectors (1)</li> <li>• evidence suggests that a lot of gig workers would like more hours of work, so the gig economy could be increasing underemployment in the UK (1)</li> <li>• it could further inequality in the UK, as gig workers may struggle to prove they have a regular steady income when applying for a mortgage etc (1)</li> <li>• it may further gender inequality, as evidence suggests female gig workers are paid less than male gig workers (1)</li> <li>• the gig economy is unproductive - gig workers often have dead time between jobs/Deliveroo workers are not paid for the time between deliveries (1)</li> <li>• gig workers can have unregulated and long working hours in order to make sufficient income (1)</li> </ul>		



Question		Expected response(s)	Max mark	Additional guidance
12.	(a)	<p><b>World Trade Organisation</b></p> <ul style="list-style-type: none"> <li>• the WTO is a global international organisation dealing with the rules of trade between nations (1)</li> <li>• the means for achieving this include the ‘substantial reduction of tariffs and other obstacles to trade’ (1)</li> <li>• their role is to help producers of goods and services, exporters, and importers conduct their business (1)</li> <li>• it is also a forum for governments to negotiate trade agreements, and where member governments try to sort out trade problems they face with each other (1)</li> <li>• the WTO’s global system lowers trade barriers through negotiation and operates under the principle of non-discrimination (1)</li> <li>• it aims to reduce trade tensions by helping settling disputes about whether countries are playing by agreed rules (1)</li> <li>• the WTO aims to stimulate economic growth and employment/achieve higher living standards, full employment and sustainable development (1) as expressed in the WTO’s founding Marrakesh Agreement (1)</li> <li>• the WTO can cut the cost of doing business internationally (1)</li> <li>• the WTO can encourage good governance. The WTO’s trade rules reduce arbitrariness and opportunities for corruption and help with transparency (1)</li> <li>• the WTO can help countries develop due to the argument that more open trade can boost economic growth (1)</li> <li>• 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)</li> <li>• the WTO can support the environment and health by devising rules and regulation designed to protect the environment (1)</li> <li>• credit reference to GATT, the Uruguay Round, and Doha (1)</li> </ul>	6	<p>Candidates must describe at least one role of the WTO and one role of the IMF 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 12.</p>

Question		Expected response(s)	Max mark	Additional guidance
		<p><b>International Monetary Fund</b></p> <ul style="list-style-type: none"> <li>• aims to stabilise exchange rates and provide loans to countries in need (1)</li> <li>• aims to promote international monetary cooperation (1)</li> <li>• helps deal with balance of payments adjustment (1)</li> <li>• conducts ‘economic surveillance’ - producing reports on member countries’ economies and suggests areas of strengths/weaknesses (1)</li> <li>• credit mention of Structural Adjustment Program (SAP) and/or ‘conditionalities’ (1)</li> <li>• credit mention of criticisms of agency - ‘Washington Consensus’ and how some argue free trade principles hinder economic development of developing economies (1)</li> </ul>		
	(b)	<ul style="list-style-type: none"> <li>• may leave a lasting impression on global supply chains, with global firms possibly being subjected to distant disruption risks (1). However, this may accelerate changes to globalisation that were already underway, such as reshoring (1). This may also see a further concentration of trade around regional blocks (1)</li> <li>• ‘just-in-time’ methods may also become more common as firms may choose to order parts from more local suppliers (1)</li> <li>• global manufacturing may become more automated as a result of the pandemic, as firms may wish to reduce their reliance on cheap foreign labour (1)</li> <li>• global firms may have to trade-off between ‘efficiency’ and ‘robustness’, realising that in the long run the robotisation of manufacturing may lead to more local production anyway (1)</li> <li>• possible political fallout from the pandemic may lead to further economic nationalism and a continuation of the US/China trade war (1)</li> <li>• consumer emphasis on buying local has forced some global firms to closely monitor their environmental footprint and labour standards (1). These are easier to monitor closer to home (1)</li> </ul>	10	<p>Candidates must evaluate at least 2 implications to gain full marks.</p> <p>Award 1 mark for each valid evaluation.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<ul style="list-style-type: none"> <li>• global trade in services has also suffered, which may result in a downturn for tourism industry (1). This will be particularly felt in countries that have a large tourism industry, such as Scotland (1)</li> <li>• the surge of investment in remote working may lead to more trade in digital services (1). In repair services, virtual and augmented reality technologies may allow experts in one country to help lower-skilled workers fix machines in another country (1)</li> <li>• this acceleration of technology may bring on ‘creative destruction’ as firms adapt to changes brought on by the pandemic (1). Frances Cairncross has argued in ‘The Death of Distance’ that communication technology will make location ever less relevant to business (1). This may reverse the trend in the agglomeration effects of bringing knowledge workers closer together (1)</li> <li>• an increase in home working could have implications for the housing market, as workers may wish to leave the cities and work from home in more rural environments (1). There is some evidence that this process is already underway in London, but it may be the result of the freeze on Stamp Duty (1). This may also have implications for the labour market, as more consumer spending may take place in the suburbs, (1) and a greater uptake of online spending could see further growth in delivery jobs (1)</li> <li>• a further implication is that the world will see high levels on inequality as job losses have been heavy among low skilled service workers (1). An MIT paper recently argued that ‘having too few low-wage jobs is often lamented, but having too few low-wage, economically insecure jobs is actually worse than having too many (1). Credit reference to either the ‘precariat’ worker or the ‘hour-glass economy’ (1)</li> <li>• further digitisation of the global economy could see ‘Big Tech’ firms increase their market dominance and deliver further financial gains, (1) which could see a further trend in global wealth inequality (1)</li> </ul>		

Question	Expected response(s)	Max mark	Additional guidance
	<ul style="list-style-type: none"> <li>• some economists argue that many countries could see a k-shaped recovery after the pandemic. A K-shaped recovery exists post-recession where various segments of the economy recover at their own rates or levels, as opposed to a uniform recovery where each industry takes the same path as the rest. (1). For instance, industries like technology and software services could largely recover and even expand, while travel, entertainment, and hospitality may continue to decline (1)</li> <li>• the Economist argues that inequality could be reduced. Previous high prices of property as a result of housing shortages in big cities acted as a barrier to opportunity by making it harder for the poor and young to move to better jobs (1). This also resulted in widened divides between homeowners, who had enjoyed windfall gains in house prices, and renters (1). If it now becomes possible for firms to hire any worker with an internet connection, then the pool of candidates vastly increases (1). This could allow distant worker to apply for higher paying jobs, thus reducing inequality (1). It may also boost productivity as firms may now get better matches between employers and employees and therefore more highly skilled workers (1)</li> <li>• the pandemic has forced central banks to adopt further rounds of QE, which may result in a continuing trend of low interest rates (1). There has also been an increase in saving rates in developed economies, which could have the potential for a future inflationary boom once the pandemic is over (1). But there may be a period a 'precautionary saving' that is normal after recessions (1)</li> <li>• the pandemic has also resulted in a rise in government debt, which will have a consequence for debt-to GDP ratios (1). This will leave many governments dependent on loose monetary policy (1) and also vulnerable to rising interest rates, should they return (1)</li> <li>• a continuation of low interest rates will probably lead to high asset prices, which could result in further wealth inequality (1) and intergenerational unfairness, given the unequal distribution of job losses this year (1)</li> <li>• if interest rates are kept low as a result of pandemic this will deprive central banks of their traditional tool for fighting a recession: cutting short-term interest rates (1). This may mean that many governments will have to adopt a fiscal response to economic recovery and future recessions (1)</li> </ul>		

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<p><b>Infrastructure spending</b></p> <ul style="list-style-type: none"> <li>• a landlocked country such as Chad will lack territorial access to the sea, which means they face significant challenges in trade <b>(1)</b>. Building ‘super-highways’ that connect landlocked countries to the sea will greatly improve their access to trade <b>(1)</b>. They may then be able to access the benefits of container shipping, which has greatly reduced the cost of transporting materials <b>(1)</b> and would help stimulate trade links <b>(1)</b>. Improvements in broadband connectivity would also act as a stimulus to growth, especially in services <b>(1)</b>. Improvements to the national grid of a country would also allow factories to run reliable production runs, <b>(1)</b> as currently a lot of developing countries have an intermittent electricity source <b>(1)</b></li> </ul> <p><b>Other measures which can be explained may include:</b></p> <ul style="list-style-type: none"> <li>• trade liberalisation</li> <li>• capital investment</li> <li>• education/training</li> <li>• debt relief</li> <li>• FDI</li> <li>• ending of agricultural subsidies in developed world</li> <li>• better governance</li> <li>• population controls</li> </ul>	9	<p>Candidates must explain at least 2 measures to gain full marks.</p> <p>Award <b>1 mark</b> for each valid explanation.</p> <p>Award <b>1 mark</b> for each valid development.</p>

[END OF MARKING INSTRUCTIONS]