



National  
Qualifications  
2017

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# 2017 Economics

## Higher

### Finalised Marking Instructions

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## General marking principles for Higher Economics

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

- (a) Marks for each candidate response must always be assigned in line with these general marking principles and the detailed marking instructions for this assessment.
- (b) Marking should always be positive, ie marks should be awarded for what is correct and not deducted for errors or omissions.
- (c) If a specific candidate response does not seem to be covered by either the principles or detailed marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.
- (d) For each candidate response, the following provides an overview of the marking principles. Refer to specific marking instructions for further guidance on how these principles should be applied.
- (i) Questions that ask candidates to Describe...
- Candidates must make a number of relevant, factual points which may be characteristics and/or features or a definition of an economic term, 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:
- 1 mark should be given for each relevant, accurate factual point.
  - 1 mark should be given for any further development of a relevant point, including exemplification when appropriate.
- (ii) Questions that ask candidates to Explain...
- Candidates must make a number of relevant points that relate cause and effect and/or make the relationships clear. These points may relate to a concept, process or situation.
- Candidates may provide a number of 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:
- 1 mark should be given for each accurate relevant point of explanation.
  - 1 mark should be given for any further development of a relevant point, including exemplification when appropriate.
- (iii) Questions that ask candidates to Analyse...
- Candidates must demonstrate their ability to identify/describe/explain relevant parts and the relationship between the parts and/or the whole. Candidates should be able to draw out and relate any implications and/or analyse data.
- Up to the total mark allocation for this question:
- 1 mark should be given for each accurate point of analysis.
  - 1 mark should be given for any further development of a relevant point, including exemplification when appropriate.

(iv) Questions that ask candidates to Discuss...

Candidates must make a number of points that communicate issues, ideas, or information about a given topic or context that will make a case for and/or against. It is not always necessary to give both sides of the debate in responses.

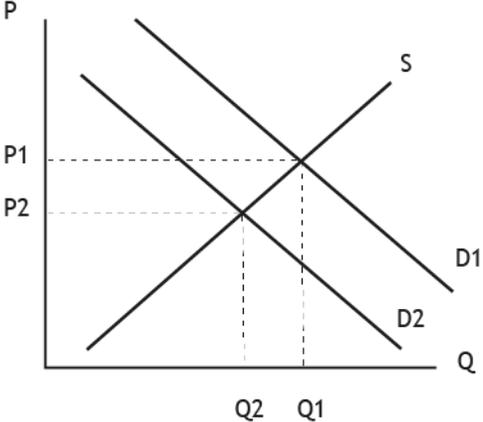
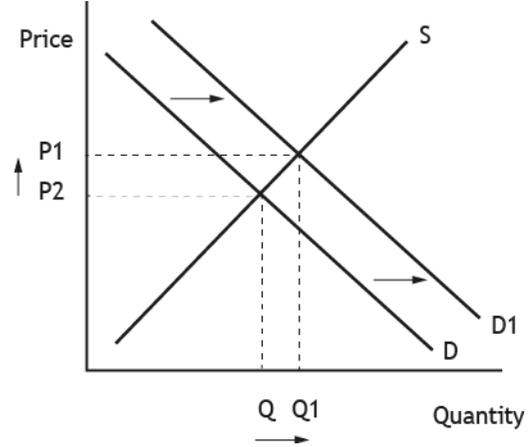
Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point of knowledge that is clearly relevant.
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

Marking instructions for each question

SECTION 1

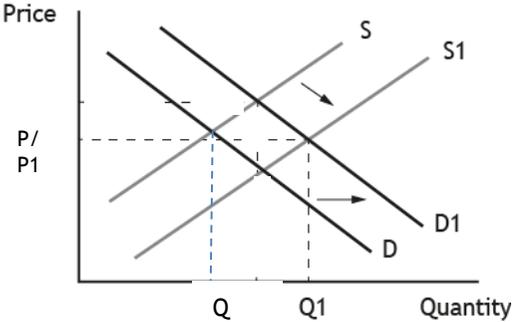
Question		Expected answer(s)	Max mark	Additional guidance
1.	(a)	<ul style="list-style-type: none"> <li>• “Gross Domestic Product growth” is an increase in the value of goods and services produced in an economy within a period of time. (1)</li> </ul> <p><b>According to the article:</b></p> <ul style="list-style-type: none"> <li>• “GDP growth was holding up, output having increased to £142 billion in 2015”/output rose to £142 billion in 2015. (1)</li> </ul>	2	<p>Do not award mark for simply defining GDP without reference to growth.</p> <p>Reference must be made to the article in order to achieve full marks.</p>

Question	Expected answer(s)	Max mark	Additional guidance
(b) (i)	<ul style="list-style-type: none"> <li>Fully labelled diagram. (axes, curves and original eq point labelled correctly - (p1q1 or eq1)) (1)</li> </ul> <p>If interpreted as lower oil prices reducing oil firm's profits (reducing demand for labour):</p> <p><b>Diagram A</b></p> <ul style="list-style-type: none"> <li>Demand curve shifting to the left. (1)</li> <li>New equilibrium price/quantity indicated. (1)</li> </ul> <p>If interpreted as lower oil prices reducing production costs (increasing demand for labour):</p> <p><b>Diagram B</b></p> <ul style="list-style-type: none"> <li>Demand curve shifting to the right. (1)</li> <li>New equilibrium price/quantity indicated. (1)</li> </ul>	3	<p><b>Diagram A</b></p>  <p><b>Diagram B</b></p>  <p>Do Not Award mark for new equilibrium price/quantity if supply curve has shifted.</p>

Question		Expected answer(s)	Max mark	Additional guidance
	(b) (ii)	<ul style="list-style-type: none"> <li>• Claimant count is the addition of all those claiming Job Seekers Allowance (JSA). (1)</li> <li>• Not everyone who would like a job will claim JSA so the figure underestimates the unemployed total. (1 development mark)</li> <li>• Some people are not eligible for JSA. (1 development mark)</li> <li>• This produces a lower figure than the alternative LFS method. (1 development mark)</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• Labour Force Survey is a quarterly survey of a large number of households about their employment status. (1)</li> <li>• The survey asks questions about who is currently available for work, looking for work etc. (1)</li> <li>• From this survey the total unemployed population is assessed. (1)</li> <li>• This produces a higher figure than the alternative claimant count method. (1 development mark)</li> <li>• This is the government's favoured method of measurement/this method is better for comparisons with other countries. (1 development mark)</li> </ul>	2	Responses must be based on only one method to achieve full marks.

Question		Expected answer(s)	Max mark	Additional guidance
	(b) (iii)	<ul style="list-style-type: none"> <li>• Provision of affordable housing. (1)</li> <li>• Financial help with relocation costs. (1)</li> <li>• Ensure suitable education places available. (1)</li> <li>• Ensure financial incentives in place, eg London Living Allowance. (1)</li> <li>• Improve transport infrastructure to allow travelling. (1)</li> <li>• Ensure adequate provision of social services eg doctors etc. (1)</li> <li>• Job Centres to provide information re vacancies. (1)</li> <li>• Provide access to language education programmes. (1)</li> </ul>	2	Do not award any development marks.
	(c) (i)	<ul style="list-style-type: none"> <li>• Real values are adjusted for inflation. (1)</li> <li>• This allows comparisons of values to be made over time without the effects of inflation. (1 <b>development mark</b>)</li> <li>• For example: the real value of savings/earnings will fall if the rate of inflation is higher than the rate of interest/wage growth. (1 <b>development mark</b>)</li> </ul>	2	Max one mark for an example (numerical or other).

Question		Expected answer(s)	Max mark	Additional guidance
	(c) (ii)	<ul style="list-style-type: none"> <li>• Weak sterling (ID) resulting in UK exports being cheaper. (1) Therefore demand for UK exports will increase. (1 <b>development mark</b>)</li> <li>• Profile of Scotland has been raised/publicity surrounding the referendum/Commonwealth Games (ID) resulting in more exports of Scottish goods eg whisky to China. (1)</li> <li>• Increase in advertising Scotland’s exports/Scottish trade envoys negotiating deals (ID) increasing markets. (1)</li> <li>• Scotland has a comparative advantage in the production of some goods (ID) which has led to increased efficiency in their production over other countries. (1) An appropriate climate has helped develop the whisky industry. (1 <b>development mark</b>)</li> <li>• Scotland has a comparative advantage in the production of some services (ID) as it has a lower opportunity cost than other countries. (1) For example, finance, creative industries. (1 <b>development mark</b>)</li> <li>• Scotland “had the highest productivity rate outside London” (ID) thereby reducing costs and making exports more competitive. (1)</li> <li>• Government may have provided subsidies to home countries (ID) reducing costs, and making exports more competitive. (1)</li> <li>• Scotland has a skilled workforce (ID) - many universities producing skilled labour/entrepreneurs. (1)</li> <li>• “Big spending schemes” (ID) which creates growth and jobs in exporting firms. (1)</li> <li>• “More Foreign Direct Investment” (ID) which if these multinational firms export will improve the Balance of Payments. (1)</li> </ul>	4	Max 3 marks per explanation.

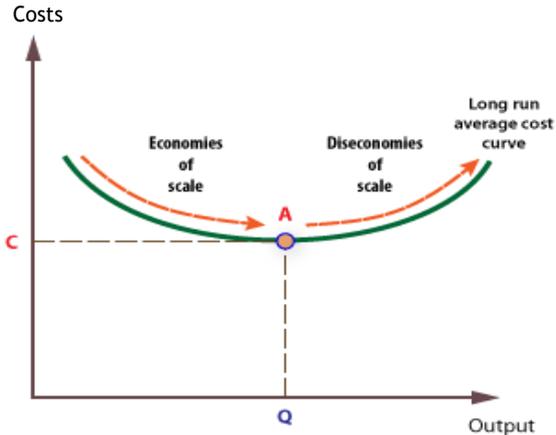
Question	Expected answer(s)	Max mark	Additional guidance
(d)	<ul style="list-style-type: none"> <li>• There may be increased negative externalities, such as congestion and pollution. (1)</li> <li>• The profits from the business will be repatriated to the home country. (1) This is an outflow/this is bad for the Balance of Payments/this means less money is circulating in the UK economy. (1 <b>development mark</b>)</li> <li>• The firm may withdraw operations at any time leaving pockets of unemployment. (1) During a recession, firms may be more likely to shut down overseas operations, for example. (1 <b>development mark</b>)</li> <li>• Management jobs may not be created/top jobs in the multinationals may be retained for employees of the home country. (1) ‘Screwdriver’ jobs which are created do not create as much potential for growth/improved standards of living. (1 <b>development mark</b>)</li> <li>• Tax avoidance by some multinationals reduces government income. (1)</li> <li>• ‘Crowding out’ effect on domestic industry/competition for UK firms is increased which may put them out of business. (1)</li> <li>• There may be increased demand for the pound, strengthening its value/making exports more expensive. (1)</li> </ul>	3	Max 2 marks per disadvantage.
(e)	<ul style="list-style-type: none"> <li>• Fully labelled diagram. (1)</li> <li>• Demand curve shifting to the right (increased disposable incomes). (1)</li> <li>• Supply curve shifting to the right (tax cuts for firms). (1)</li> <li>• New equilibrium price indicated. (1)</li> </ul>	4	 <p>The diagram is a coordinate plane with 'Price' on the vertical axis and 'Quantity' on the horizontal axis. It shows two downward-sloping demand curves, D and D1, with an arrow pointing from D to D1 indicating a rightward shift. It also shows two upward-sloping supply curves, S and S1, with an arrow pointing from S to S1 indicating a rightward shift. The initial equilibrium is at the intersection of D and S, with a price level P/P1 and quantity Q. The new equilibrium is at the intersection of D1 and S1, with a higher price level and a higher quantity Q1. Dashed lines connect the equilibrium points to their respective values on the axes.</p>

Question		Expected answer(s)	Max mark	Additional guidance
	(f)	<ul style="list-style-type: none"> <li>• It will create jobs. <b>(1)</b> This may result in a positive multiplier effect/increased national income. <b>(1 development mark)</b></li> <li>• Improved infrastructure may improve productivity for Scottish firms <b>(1)</b> which could lead to improved international competitiveness. <b>(1 development mark)</b></li> <li>• Scotland may attract more FDI/investment <b>(1)</b> which will lead to increased jobs/wealth/growth. <b>(1 development mark)</b></li> <li>• Scotland's unemployment rate may fall <b>(1)</b> this may mean less requirement for the government to fund benefits. <b>(1 development mark)</b></li> </ul>	3	Maximum 2 marks per benefit.

## SECTION 2

Question		Expected answer(s)	Max mark	Additional guidance
2.	(a)	<p>Responses could include:</p> <ul style="list-style-type: none"> <li>• As scarcity means that firms have unlimited wants (ID) yet only limited resources (1) to make everything/have everything they want.</li> <li>• Wants are unlimited due to greed/advertising/obsolescence <b>(1 development mark)</b> resources eg natural resources/skilled labour are limited. <b>(1 development mark)</b></li> <li>• Firms seek to maximise profits but have only limited resources with which to do so which forces them to make this choice. <b>(1 development mark)</b></li> <li>• For example, a firm cannot have both a new suite of computers and train staff with its limited resources so it has to choose one or the other. <b>(1 development mark)</b></li> </ul> <p>Accept any other suitable answer.</p>	3	Max 2 marks if no example provided.

Question		Expected answer(s)	Max mark	Additional guidance
	(b)	<p>Responses could include:</p> <ul style="list-style-type: none"> <li>• There are many buyers and sellers. (1)</li> <li>• None of whom can individually affect the price - price takers. (1)</li> <li>• There is a homogeneous product, which means the product of each firm is the same. (1)</li> <li>• There is perfect information in that every buyer and seller knows everything that there is to know about the market. (1)</li> <li>• There are no barriers to entry/exit to a firm setting up in the market. (1)</li> <li>• The firm produces at the point where price is equal to marginal cost. (1)</li> <li>• The firm is technically efficient meaning that it produces at its lowest average cost. (1)</li> <li>• The firm is allocatively efficient meaning that it is producing what people want. (1)</li> <li>• The firm makes only normal profits in the long run. (1)</li> </ul> <p>Accept any other suitable response.</p>	4	1 mark for each description.

Question	Expected answer(s)	Max mark	Additional guidance
(c)	<p>Responses could include:</p> <ul style="list-style-type: none"> <li>• AC falling demonstrates economies of scale (ID) ie the firm benefits from cost advantages due to its size/output/scale of operation. (1)</li> <li>• AC falls because increasing inputs leads to a more than proportionate increase in output (increasing returns to scale). (1 development mark)</li> <li>• When AC reaches its lowest point (ID) the firm has reached its minimum efficient scale/maximum efficiency/constant returns to scale. (1)</li> <li>• AC rising demonstrates diseconomies of scale (ID) ie the firm suffers from cost increases due to its size/output/scale of operation. (1).</li> <li>• AC rises because increasing inputs leads to a less than proportionate increase in output (decreasing returns to scale) (1 development mark)</li> <li>• The long run curve is made up of lots of short run curves (ID) because as diminishing returns occur in the short run firms expand to overcome this problem. (1)</li> </ul>	8	<p><b>DIAGRAM</b></p>  <ul style="list-style-type: none"> <li>• Axes/curve correctly labelled (1)</li> <li>• AC/LRAC curve correct 'u' shape. (1)</li> <li>• Economies (increasing returns to scale)/diseconomies (decreasing returns to scale) correctly indicated. (1)</li> </ul> <p>Max 3 for diagram</p> <p>Max 4 marks for explaining various types of economy/ diseconomy of scale.</p> <p>Max 6 marks if no diagram</p> <p>Max 7 marks if diseconomies of scale are not explained.</p>

Question		Expected answer(s)	Max mark	Additional guidance
	(c)	<p>Economies of scale include:</p> <ul style="list-style-type: none"> <li>• Purchasing economies (ID) when discounts can be negotiated due to size of order/bulk purchases can be made. <b>(1)</b></li> <li>• Technical economies (ID) when size of operation permits increased use of large-scale machinery/equipment. <b>(1)</b></li> <li>• Management economies (ID) eg employing specialist staff such as accountants. <b>(1)</b></li> <li>• Financial economies (ID) when banks view a large firm as more credit-worthy. <b>(1)</b> eg banks provide loans with lower rates of interest. <b>(1 development mark)</b></li> <li>• Risk-bearing economies (ID) ie diversifying into a range of goods/services, to reduce risk from failure of any one. <b>(1)</b></li> </ul> <p>Diseconomies of scale include:</p> <ul style="list-style-type: none"> <li>• Poor communication (ID) as it becomes difficult to communicate effectively. <b>(1)</b></li> <li>• Poor-co-ordination (ID) as it becomes difficult to organise activities efficiently. <b>(1)</b></li> </ul> <p>Accept any other suitable answer.</p>		

Question			Expected answer(s)	Max mark	Additional guidance
3.	(a)	(i)	<p>Responses could include the following:</p> <ul style="list-style-type: none"> <li>• A budget deficit refers to a situation in which the government's outgoings are more than their incomings/ government planned spending is more than planned tax receipts. <b>(1)</b></li> <li>• A budget is a plan for spending and revenue. <b>(1 development mark)</b></li> <li>• Scottish government has control over planning its own budget which is a plan for spending and revenue. <b>(1 development mark)</b></li> <li>• Accumulation of all a nation's annual deficits is known as the National Debt. <b>(1 development mark)</b></li> </ul> <p>Accept any other suitable response.</p>	2	

Question		Expected answer(s)	Max mark	Additional guidance
	(a) (ii)	<p>Responses could include the following:</p> <p>General:</p> <ul style="list-style-type: none"> <li>• Government spending per capita in Scotland is higher than the rest of the UK/tax revenue in Scotland per capita is lower than the rest of the UK. (1)</li> <li>• Scottish government have devolved powers to adjust some benefits and have increased these. (1)</li> <li>• Scottish government have devolved powers to set Income Tax bands and rates and could have increased these but did not. (1)</li> </ul> <p>Specific:</p> <ul style="list-style-type: none"> <li>• Increased capital spending eg: <ul style="list-style-type: none"> <li>○ infrastructure projects/new Forth Crossing/Edinburgh trams. (1)</li> </ul> </li> <li>• Increased current spending eg: <ul style="list-style-type: none"> <li>○ Public sector wages. (1)</li> </ul> </li> <li>• Reduced revenue eg: <ul style="list-style-type: none"> <li>○ free prescriptions (1)</li> <li>○ free university fees (1)</li> <li>○ provision of free elderly homecare (1)</li> <li>○ air passenger duty for under 16s abolished (1)</li> </ul> </li> </ul> <p>Accept any other suitable response.</p>	3	

Question	Expected answer(s)	Max mark	Additional guidance								
(b)	<p><b>Spending</b></p> <ul style="list-style-type: none"> <li>• Increase spending (ID) would increase circular flow of income/money flowing in the economy/AD. <b>(1)</b></li> <li>• Eg increasing spending on public sector wages would lead to more disposable income/consumer spending. <b>(1 development mark)</b></li> <li>• Eg increasing spending on training schemes which will increase productivity/output. <b>(1)</b></li> <li>• Increased demand will signal firms to respond by producing more/increasing output. <b>(1 development mark)</b></li> </ul> <div style="text-align: center;"> </div> <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td data-bbox="398 660 775 815"> <ul style="list-style-type: none"> <li>• Increase output could lead to increased demand for labour. <b>(1 development mark)</b></li> </ul> </td> <td data-bbox="775 660 1167 815"> <ul style="list-style-type: none"> <li>• Increased demand/spending/output may generate more profits for firms. <b>(1 development mark)</b></li> </ul> </td> </tr> <tr> <td data-bbox="398 815 775 1007"> <ul style="list-style-type: none"> <li>• Increased employment may lead to increased consumer spending/disposable incomes/AD. <b>(1 development mark)</b></li> </ul> </td> <td data-bbox="775 815 1167 1007"> <ul style="list-style-type: none"> <li>• Increased output/profits may encourage firms to increase investment spending. <b>(1 development mark)</b></li> </ul> </td> </tr> <tr> <td data-bbox="398 1007 775 1198"> <ul style="list-style-type: none"> <li>• Less JSA payments required by government, so more to spend elsewhere developing growth. <b>(1 development mark)</b></li> </ul> </td> <td data-bbox="775 1007 1167 1198"> <ul style="list-style-type: none"> <li>• Increased investment spending may expand the capacity of the economy/create economic growth. <b>(1 development mark)</b></li> </ul> </td> </tr> <tr> <td colspan="2" data-bbox="398 1198 1167 1262"> <ul style="list-style-type: none"> <li>• This increases AMD and the spending cycle continues ie the multiplier effect. <b>(1 development mark)</b></li> </ul> </td> </tr> </tbody> </table>	<ul style="list-style-type: none"> <li>• Increase output could lead to increased demand for labour. <b>(1 development mark)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Increased demand/spending/output may generate more profits for firms. <b>(1 development mark)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Increased employment may lead to increased consumer spending/disposable incomes/AD. <b>(1 development mark)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Increased output/profits may encourage firms to increase investment spending. <b>(1 development mark)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Less JSA payments required by government, so more to spend elsewhere developing growth. <b>(1 development mark)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Increased investment spending may expand the capacity of the economy/create economic growth. <b>(1 development mark)</b></li> </ul>	<ul style="list-style-type: none"> <li>• This increases AMD and the spending cycle continues ie the multiplier effect. <b>(1 development mark)</b></li> </ul>		<b>7</b>	<p>Max 2 marks for explanations of different examples of government spending.</p> <p>Max 4 marks for explanations of examples of fiscal policy eg reduce Income Tax/increase public sector wages.</p> <p>It is possible to achieve full marks without tackling both spending and taxation.</p> <p>Be aware of repetition/flips between taxation and spending.</p>
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(b)	<p><b>Taxation</b></p> <ul style="list-style-type: none"> <li>• Reduce taxation (ID) would increase circular flow of income/money flowing in the economy/AD. <b>(1)</b></li> <li>• Eg reduced corporation tax would increase funds available for firms to invest. <b>(1 development mark)</b></li> <li>• Eg reduced Income Tax/VAT would lead to more disposable income/consumer spending. <b>(1 development mark)</b></li> <li>• Increased demand will signal firms to respond by producing more/increasing output. <b>(1 development mark)</b></li> </ul> <div style="text-align: center;">  <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td data-bbox="414 662 772 821"> <ul style="list-style-type: none"> <li>• Increase output could lead to increased demand for labour. <b>(1 development mark)</b></li> </ul> </td> <td data-bbox="772 662 1153 821"> <ul style="list-style-type: none"> <li>• Increased demand/spending/output may generate more profits for firms. <b>(1 development mark)</b></li> </ul> </td> </tr> <tr> <td data-bbox="414 821 772 1013"> <ul style="list-style-type: none"> <li>• Increased employment may lead to increased consumer spending/disposable incomes/AD. <b>(1 development mark)</b></li> </ul> </td> <td data-bbox="772 821 1153 1013"> <ul style="list-style-type: none"> <li>• Increased output/profits may encourage firms to increase investment spending. <b>(1 development mark)</b></li> </ul> </td> </tr> <tr> <td data-bbox="414 1013 772 1204"> <ul style="list-style-type: none"> <li>• Less JSA payments required by government, so more to spend elsewhere developing growth. <b>(1 development mark)</b></li> </ul> </td> <td data-bbox="772 1013 1153 1204"> <ul style="list-style-type: none"> <li>• Investment spending may expand the capacity of the economy/create economic growth. <b>(1 development mark)</b></li> </ul> </td> </tr> </tbody> </table> </div> <ul style="list-style-type: none"> <li>• This increases AMD and the spending cycle continues ie the multiplier effect. <b>(1 development mark)</b></li> </ul> <p>Accept any other suitable answer.</p>	<ul style="list-style-type: none"> <li>• Increase output could lead to increased demand for labour. <b>(1 development mark)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Increased demand/spending/output may generate more profits for firms. <b>(1 development mark)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Increased employment may lead to increased consumer spending/disposable incomes/AD. <b>(1 development mark)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Increased output/profits may encourage firms to increase investment spending. <b>(1 development mark)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Less JSA payments required by government, so more to spend elsewhere developing growth. <b>(1 development mark)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Investment spending may expand the capacity of the economy/create economic growth. <b>(1 development mark)</b></li> </ul>		<p>Max 2 marks for explanations of different taxes.</p>
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<ul style="list-style-type: none"> <li>• Less JSA payments required by government, so more to spend elsewhere developing growth. <b>(1 development mark)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Investment spending may expand the capacity of the economy/create economic growth. <b>(1 development mark)</b></li> </ul>								

Question		Expected answer(s)	Max mark	Additional guidance
	(c)	<p>Responses could include the following:</p> <ul style="list-style-type: none"> <li>• Each country may calculate in a different way making it difficult to compare. <b>(1)</b></li> <li>• Calculation per capita is essential in order to compare. <b>(1 development mark)</b></li> <li>• In some nations there is not the infrastructure to calculate statistics accurately. <b>(1 development mark)</b></li> <li>• Inaccuracies/corruption in the data produced by each country. <b>(1)</b></li> <li>• Currency variations. <b>(1)</b></li> <li>• Regional inequalities within a country may not be revealed. <b>(1)</b></li> </ul> <p>Accept any other suitable response.</p>	3	

Question		Expected answer(s)	Max mark	Additional guidance
4.	(a)	<ul style="list-style-type: none"> <li>• Capital aid (ID) to enable productivity improvements/ greater output. <b>(1)</b> This can be either directly with equipment or by loans/grants. <b>(1 development mark)</b> Examples include, providing equipment, infrastructure, drainage etc. <b>(1 development mark)</b></li> <li>• Technical aid (ID) to enable better use of equipment etc. <b>(1)</b> Eg giving advice and training to local workers on the best way to use equipment. <b>(1 development mark)</b></li> <li>• Educational aid (ID) to improve literacy/basic education. <b>(1)</b></li> <li>• Health aid (ID) to improve health of workers. <b>(1)</b> Eg medicines and inoculations <b>(1 development mark)</b></li> <li>• Tied aid (ID) aid which is tied to buying particular capital equipment from the donor country <b>(1)</b> However, this may lead to longer term problems of high payments to the donor. <b>(1 development mark)</b></li> <li>• Food aid (ID) to ensure working population is fit to work. <b>(1)</b> However this can lead to dependency/lack of self-sufficiency). <b>(1 development mark)</b></li> <li>• Free trade agreements (ID) to reduce cost of exports. <b>(1)</b></li> <li>• Project aid (ID) to support particular issues. <b>(1)</b> Eg water purification <b>(1 development mark)</b></li> <li>• Soft loans (ID) to allow access to cheaper funding to invest in capital equipment. <b>(1)</b></li> <li>• Debt relief/writing off debt (ID) to reduce the burden of debt/allow financial resources to be re-directed. <b>(1)</b></li> </ul> <p>Accept any other suitable answer.</p>	6	Max 3 marks per explanation.

Question		Expected answer(s)	Max mark	Additional guidance
	(b)	<ul style="list-style-type: none"> <li>Emerging economies provide a market for UK goods and services. <b>(1)</b> Their populations have increasing disposable incomes to spend on UK exports. <b>(1 development mark)</b> This may improve the UK's Balance of Payments. <b>(1 development mark)</b></li> <li>UK firm's costs of production may increase due to increased demand on finite worldwide resources. <b>(1)</b></li> <li>UK firm's costs of production may <b>decrease</b> due to cheaper raw materials/components from emerging economies. <b>(1)</b> This may negatively effect the Balance of Payments. <b>(1 development mark)</b> Firms may shed labour to cut costs, causing unemployment. <b>(1)</b></li> <li>UK exporting firms may face increased competition. <b>(1)</b></li> </ul> <p>Accept any other suitable answer.</p>	4	Max 3 marks per effect described.

Question		Expected answer(s)	Max mark	Additional guidance
	(c)	<ul style="list-style-type: none"> <li>• If demand for £ falls, its price will fall/weaken. <b>(1)</b></li> <li>• A weak price for Sterling makes exports relatively cheap/ imports relatively expensive. <b>(1)</b> This is because it costs less in terms of another currency to buy sterling. <b>(1 development mark)</b></li> <li>• Cheaper exports means demand for UK exports increases/ dearer imports means demand for imports falls. <b>(1 development mark)</b></li> <li>• As exports rise and imports fall the deficit is corrected. <b>(1 development mark)</b></li> <li>• Sterling is traded freely according to the forces of demand and supply when there is a floating exchange rate. <b>(1 development mark)</b></li> <li>• A deficit on the Balance of Payments shows that less £ are being demanded than are being supplied. <b>(1 development mark)</b></li> <li>• Credit use of an appropriate diagram. <b>(1 development mark)</b></li> </ul>	<b>5</b>	Alternatively, credit answers relating to supply of sterling

**[END OF MARKING INSTRUCTIONS]**