



National
Qualifications
2019

2019 Economics

Higher

Finalised Marking Instructions

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General marking principles for Higher Economics

Always apply these general principles. Use them in conjunction with the detailed marking instructions, which identify the key features required in candidates' responses.

- (a) Always use positive marking. This means candidates accumulate marks for the demonstration of relevant skills, knowledge and understanding; marks are not deducted for errors or omissions.
- (b) If a candidate response does not seem to be covered by either the principles or detailed marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.
- (c) For **describe** questions, candidates must make a number of relevant, factual points up to the total mark allocation for the question. These should be key points; they do not need to be in any particular order. Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question

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

- (d) For **explain** questions, candidates must make a number of points that relate cause and effect and/or make the relationships between things clear, for example by showing connections between a process/situation. These should be key reasons and may include theoretical concepts. There is no need to prioritise the reasons. Candidates may provide a number of straightforward reasons or a smaller number of developed reasons, or a combination of these.

Up to the total mark allocation for this question

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

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

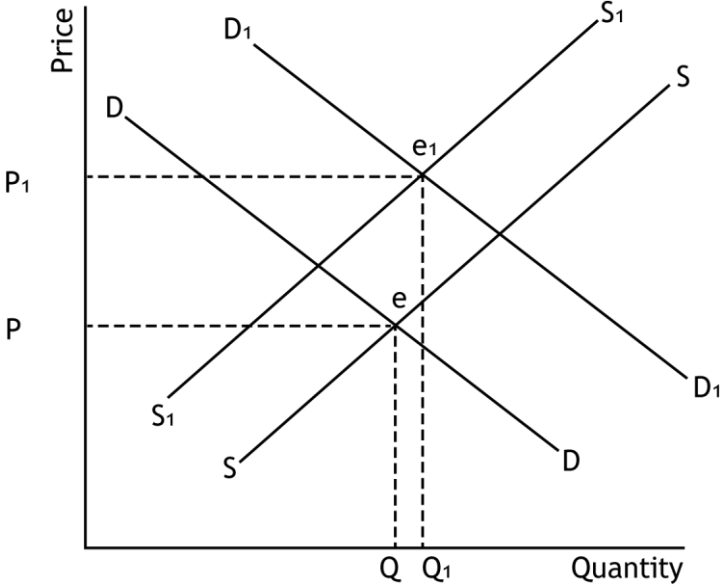
Up to the total mark allocation for this question

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

Marking instructions for each question

SECTION 1

| Question | | Expected response | Max mark | Additional guidance |
|----------|-----|---|----------|--|
| 1. | (a) | <ul style="list-style-type: none"> a tariff is a tax on imports/exports/goods traded internationally (1). It makes imports less attractive/more expensive or makes domestic goods more attractive (DEV) (1) a tariff is a trade barrier (1) | 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"> less/no restrictions on trade (ID) so increased opportunity for international trade/exporting (EXP) (1) This can improve the Balance of Payments position (DEV) (1) UK consumers have access to cheaper goods/services (ID) which means their real income increases (EXP) (1) Standards of living increase (DEV) (1) UK firms have access to larger markets (ID) so can benefit from economies of scale (EXP) (1) UK consumers have more choice of goods/services (ID) because countries specialise in different goods/services (EXP) (1). This improves standards of living (DEV) (1) UK exports are cheaper (ID) which makes them more attractive abroad (1). This could lead to an improved balance of trade (DEV) (1) free trade may reduce raw material costs for firms (ID) which may lead to lower prices for consumers (EXP) (1). This could lead to lower inflation (DEV) (1) This means the UK government may receive more Corporation Tax revenue (DEV) (1) it means more competition for UK firms (ID) meaning efficiency could be improved (EXP) (1) may encourage FDI into UK to take advantage of free trade (ID) which will have beneficial impact on GDP/employment (EXP) (1) increased exports increases injections into the circular flow of income (ID) increasing economic growth potential (EXP) (1) an economy can consume outwith its production possibility frontier (ID) accessing goods not available otherwise (EXP) (1) | 4 | <p>Candidates must explain at least 2 benefits to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Maximum 2 marks for development.</p> |

| Question | Expected response | Max mark | Additional guidance |
|----------|---|----------|---------------------|
| (c) |  <ul style="list-style-type: none"> • fully labelled diagram (axes, D, S, P and Q (or e) (1) • demand curve shifting to the right (1) • supply curve shifting to the left (1) • P_1 and Q_1 (or e_1) indicated (1) | 4 | |

| Question | | Expected response | Max mark | Additional guidance |
|----------|-----|---|----------|--|
| | (d) | <ul style="list-style-type: none"> • to achieve higher standards of living/lift people out of poverty (1) • to increase employment/to reduce transfer payments (1) • to help reduce income inequality (1) • to increase profits for firms (1) • to increase tax revenue (1) • to attract foreign direct investment projects (1) • to reduce government borrowing (1) • to improve public services (1) • to promote research and development spill over effects (1) • to potentially increase exports improving the B of P (1) • to appear better than other countries when compared/in league tables (1) | 2 | <p>Candidates must describe 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid description.</p> |

| Question | | Expected response | Max mark | Additional guidance |
|----------|-----|---|----------|---|
| | (e) | <ul style="list-style-type: none"> • better infrastructure may improve geographical mobility of labour (ID) which allows vacancies to be filled, increasing output (EXP) (1) • better infrastructure improves business transport/communications (ID) which can lower costs of production (EXP) (1) This will increase productivity/output (DEV) (1) This will increase profits for firms allowing them to expand (DEV) (1) • better infrastructure may attract FDI (ID) which can increase output/GDP (EXP) (1) • government may receive more tax revenue (ID) which can be spent on education and training so increase output (EXP) (1) • investing creates jobs and incomes in the economy (ID) which generates demand/consumer spending (EXP) (1) <ul style="list-style-type: none"> ○ this leads to further investment spending or increased AD/output/consumer spending (DEV) (1) ○ this creates further jobs and incomes (DEV) (1) ○ this triggers the multiplier effect (DEV) (1) ○ the formula for this is $1/1-MPC$ or $1/MPS$ (DEV) (1) ○ the effect is most impactful when MPC is high/MPS is low (DEV) (1) • for example, if the MPC is 0.8 (ID) then the multiplier will be 5 times (EXP) (1). If £1 billion is spent developing infrastructure, then there will be an overall increase in national income of £5 billion (DEV) (1) | 3 | <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Award 1 mark for an accurate circular flow of income diagram showing injections.</p> |

| Question | | Expected response | Max mark | Additional guidance |
|----------|-----|--|----------|--|
| 2. | (a) | <ul style="list-style-type: none"> day to day spending (1) ongoing/regular spending on items replaced/used up/consumed regularly (1) examples include, nurses' wages, bandages, hospital food (DEV) (1) | 2 | <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> |
| | (b) | (i) <ul style="list-style-type: none"> to ensure they are provided/free to access for all (ID) as private firms will not supply them/they are non-excludable/non rivalrous/face the 'free rider' problem/have no profit motive (EXP) (1) to ensure essential services are accessible by all (ID) to maximise welfare (EXP) (1) to ensure services such as police/street lights are provided (ID) to reduce crime/accidents (EXP) (1) | 1 | Award 1 mark for a valid explanation. |
| | | (ii) <ul style="list-style-type: none"> to ensure that they are provided to everyone (ID) as the government believes all of society deserve to benefit from them (EXP) (1) to ensure they are provided/free to access for all (ID) as these are underprovided/under consumed by the market/can only be afforded by the rich (EXP) (1) to ensure services such as health care and education are available to all (ID) in order to improve welfare/life expectancy/standards of living/productivity (EXP) (1) | 1 | Award 1 mark for a valid explanation. |

| Question | | Expected response | Max mark | Additional guidance |
|----------|-----|--|----------|---|
| | (c) | <p>PSNCR</p> <ul style="list-style-type: none"> • government debt/borrowing for the year (1) • when annual government expenditure exceeds revenue/ annual deficit (1) • government borrowing to finance a budget deficit (1) <p>National debt</p> <ul style="list-style-type: none"> • accumulated/total/sum of government borrowing over time (1) | 2 | Award 1 mark for each valid definition. |
| | (d) | <p>Increased revenue</p> <ul style="list-style-type: none"> • UK firms may access new/larger markets (ID) which may result in increased tax revenue from tariffs (EXP) (1) • UK firms may earn more profit (ID) which will increase corporation tax revenue (EXP) (1) • increased FDI may be attracted (ID) which raises corporation tax revenue/income tax revenue through job creation (EXP) (1) • increased income tax from workers (ID) working for foreign business located in the UK (EXP) (1) • more consumption of goods (ID) means higher VAT revenues (EXP) (1) • access to cheap labour (ID) reduces costs for firms so increased profits will generate more corporation tax (EXP) (1) • increased air passenger duty (ID) from increased business travel (EXP) (1) <p>Reduced costs</p> <ul style="list-style-type: none"> • public sector wage costs lower (ID) as large pool, including foreign workers, keeps wage pressure down EXP (1) • universal credit bill reduced (ID) as increased trade may bring more jobs (EXP) (1) | 3 | <p>Candidates must explain at least 2 ways 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 | Max mark | Additional guidance |
|----------|---|----------|---|
| (e) | <div data-bbox="593 279 1019 702" data-label="Figure"> </div> <p data-bbox="349 742 465 769">Diagram</p> <ul data-bbox="349 778 1108 845" style="list-style-type: none"> • appropriately labelled PPC diagram (1) • quantities indicated on axes using numbers/letters (1) <p data-bbox="349 882 515 909">Explanation</p> <ul data-bbox="349 919 1256 1262" style="list-style-type: none"> • opportunity cost is the sacrifice of the next best alternative (ID) so as spending on one item increases, less is available for the other (EXP) (1) OR as more resources are allocated to the NHS (ID) less can be allocated to other areas (EXP) (1) OR example from diagram, for example as NHS spending rises from A to B (ID) the opportunity cost is CD education spending sacrificed (EXP) (1) • this may result in worsening education levels/lower productivity (DEV) (1) • as the government wants to maximise welfare but has limited tax revenue, choices must be made (DEV) (1) | 3 | <p data-bbox="1379 244 1848 271">Maximum 2 marks for the diagram.</p> <p data-bbox="1379 312 1895 339">Maximum 2 marks for the explanation.</p> <p data-bbox="1379 381 2056 443">Accept consumer/capital goods instead of NHS and another economic good or service.</p> |

| Question | | Expected response | Max mark | Additional guidance |
|----------|-----|--|----------|--|
| | (f) | <ul style="list-style-type: none"> • inability to provide as good a service/longer waiting lists/more cancellations of appointments/lower productivity (1) • more pressure on existing staff (1) • skills shortage (1) • increased spending needed for training (1) • smaller pool of labour to choose from (1) • higher wages needed to attract staff (1) causing strain on other NHS budgets (DEV) (1) • bad publicity due to falling standards (1) • consequences of loss of other 'freedoms' for example goods so less access to equipment (1) | 3 | <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 a valid development.</p> <p>Maximum 1 mark for reference to loss of other 'freedoms'.</p> |

SECTION 2

| Question | | | Expected response | Max mark | Additional guidance |
|----------|-----|------|--|----------|---|
| 3. | (a) | (i) | <ul style="list-style-type: none"> • scarcity is the problem of unlimited wants faced with finite resources (1) • scarcity is a universal problem/affects all economies (1) • scarcity is permanent (1) • scarcity is a relative concept (1) | 2 | <p>Award 1 mark for each valid part of the definition.</p> <p>Do not award (DNA) explanations of why resources are finite and wants are unlimited.</p> |
| | | (ii) | <ul style="list-style-type: none"> • discovery of new resources (ID) for example finding new reserves of oil (EXP) (1) • specialisation (ID) in order to improve efficient use of scarce resources (EXP) (1) • resource substitution (ID) can help reduce the pressure on finite resources (EXP) (1). For example, using machinery instead of labour (DEV) (1) • alternative resources can be sought (ID) for example solar/wind energy instead of fossil fuels (EXP) (1) • geographical mobility of resources can be improved (ID) for example helping workers find employment across the country (EXP) (1) • occupational mobility can be improved (ID) for example, training schemes which provide workers with flexible skills (EXP) (1) • new production techniques (ID) to increase productivity (EXP) (1) for example, Japanese management styles/techniques or performance-related pay (DEV) (1) • encouraging immigration (ID) to increase the supply of labour (DEV) (1) • reduce level of wants (ID): <ul style="list-style-type: none"> ○ by educating regarding sustainability (EXP) (1) ○ by use of price mechanism for example max/min price to 'ration' (EXP) (1) • ensure the economy is efficient (ID) with productive, allocative efficiency and full employment (EXP) (1) | 3 | <p>Candidates must explain at least 2 methods to gain full marks.</p> <p>Award 1 mark for each valid explanation. Award 1 mark for each valid development.</p> <p>Award up to 2 marks for any one method.</p> |

| Question | | Expected response | Max mark | Additional guidance |
|----------|-----|---|----------|--|
| | (b) | <ul style="list-style-type: none"> • Giffen/essential goods (ID) as low income consumers may cancel consumption of other goods and use their income to buy more of these essential goods (EXP) (1) • Veblen/ostentatious goods (ID) as some consumers will demand more as they wish to demonstrate their wealth (EXP) (1) • speculative demand (ID) results in consumers buying more of a good as they think it will be worth more in the future (EXP) (1) • higher prices indicating better quality (ID), so some consumers may buy more of that good (EXP) (1) • anticipation of a price rise (ID) encourages consumers to buy more of a good/stockpile a good in anticipation of price rising further (EXP) (1) | 3 | <p>Candidates must explain 3 reasons to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>DNA explanations of price inelastic demand in regard to Giffen goods.</p> |

| Question | | Expected response | Max mark | Additional guidance |
|----------|-----|---|----------|--|
| | (c) | <ul style="list-style-type: none"> • if the price of the product rises producers will divert resources to increase supply (1) • if the cost of production falls supply will increase (1) • new technology will increase the supply of a product (1) for example, automation making it possible to increase the production of a product (1) • good weather increases output of agricultural products (1) • payment of subsidies/grants encourages firms to increase supply (1) • if taxes are imposed on imported goods, domestic firms will be encouraged to increase supply (1) • prices of substitute goods may encourage firms to divert resources, increasing supply of high priced goods (1) • goods in joint supply – an increase in the supply of one will lead to increased supply of the other (1) | 4 | <p>Candidates must describe at least 2 factors to gain full marks.</p> <p>Award 1 mark for each description. Up to 3 marks may be awarded for any one described factor.</p> <p>Maximum 1 mark for any appropriate and correctly labelled diagram.</p> <p>DNA descriptions referring to increased demand.</p> |
| | (d) | <ul style="list-style-type: none"> • as output increases the efficiency of production falls (ID) causing higher average costs (EXP) (1). If marginal costs are higher than average costs, then average cost is being pulled up (DEV) (1) • this occurs in the short run only (ID) when one factor of production is fixed (for example, capital) (EXP) (1) • as a variable factor is increased (for example, labour) (ID) eventually productivity starts to fall (EXP) (1). This is because the fixed factor is being ‘overworked’ (DEV) (1) • adding variable factors of production will increase returns only for a limited period (ID) after which the benefits of specialisation are eroded (EXP) (1) for example extra workers getting in each other’s way/having to share tools (DEV) (1) | 4 | <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Award 1 mark for correct diagram showing diminishing marginal returns.</p> |

| Question | | Expected response | Max mark | Additional guidance |
|----------|-----|---|----------|--|
| | (e) | <p>Internal economies of scale</p> <ul style="list-style-type: none"> • cost savings due to the increased size of the firm (1) • purchasing economies are when discounts can be negotiated due to size of order/bulk purchases can be made (1) • technical economies when size of operation permits increased use of large-scale machinery/equipment (1) • management economies for example employing specialist staff such as accountants (1) • financial economies for example when banks view a large firm as more credit-worthy (1) • risk-bearing economies ie diversifying into a range of goods/services, to reduce risk from failure of any one (1) <p>External economies of scale</p> <ul style="list-style-type: none"> • cost savings due to the increased size of the industry (1) • local colleges may provide directly relevant training (1) • ancillary firms locating close to industry (1) • agglomeration or clustering economies of scale (1) • transportation infrastructure provided by local authority (1) | 4 | <p>Candidates must describe internal and external economies to gain full marks.</p> <p>Award 1 mark for each description.</p> <p>Award 1 mark for an appropriately labelled diagram.</p> <p>Maximum 3 marks for descriptions of either internal or external economies of scale.</p> |

| Question | | Expected response | Max mark | Additional guidance |
|----------|-----|---|----------|--|
| 4. | (a) | <p>Taxation</p> <ul style="list-style-type: none"> • increase income tax (tax brackets) (ID) <ul style="list-style-type: none"> - as this is a progressive tax (EXP) (1) - as highest earners will pay more (EXP) (1) - as increased government revenue can be redistributed (EXP) (1) For example, increased welfare spending (DEV) (1) • increase tax-free allowances (ID) to increase disposable income for lower income earners (EXP) (1) • switch emphasis from regressive to progressive taxation (ID) to reduce the burden of taxation on low income earners (EXP) (1) • reduce VAT (ID) <ul style="list-style-type: none"> - as this is a regressive tax (EXP) (1) - as lower earners will pay less of their income on tax (EXP) (1) - as reduces the prices of goods and services and increases purchasing power (EXP) (1) • review/reform the council tax system (ID) for example, increase rebates for low income earners (EXP) (1) • increase inheritance tax/capital gains tax (ID) as this reduces the wealth of more affluent (EXP) (1) | 6 | <p>Candidates must explain at least 2 ways to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>DNA repeated explanations for example, reference to redistributing increased government revenue (maximum 1 mark), regressive tax (maximum 1 mark) or progressive tax (maximum 1 mark).</p> <p>DNA explanations regarding NMW.</p> |

| Question | Expected response | Max mark | Additional guidance |
|----------|--|----------|---------------------|
| | <p>Expenditure</p> <ul style="list-style-type: none"> • increase spending on infrastructure projects/training (ID) to allow more people to enter the labour market (EXP) (1) for example extending the Borders railway (1) • increase job seekers' allowance (ID) which will increase disposable incomes for unemployed (EXP) (1) • increase pay for lower paid public sector workers (ID) for example nurses (EXP) (1) • increase housing benefit (ID) which makes social housing/private rented housing more affordable (EXP) (1) • increasing child support (ID) which is means-tested so benefits lower earners more (EXP) (1) • government assistance for businesses setting up in areas of high unemployment/innovative industries (ID) creating jobs (EXP) (1) • increase local authority funding (ID) targeting low income households to increase educational attainment (EXP) (1) | | |

| Question | | Expected response | | | Max mark | Additional guidance | | | | | | | | | | | | | | | | | | | | |
|---|---------|---|-----|---------|----------|---------------------|---|--|-----|---|--|-----|--|--|-----|---|--|-----|--|--|-----|---|--|-----|---|---|
| (b) | (i) | <table border="1"> <thead> <tr> <th>GDP</th> <th rowspan="7">whereas</th> <th>GNP</th> <th></th> </tr> </thead> <tbody> <tr> <td>measures the value of all goods and services produced by UK firms within the UK</td> <td>measures the value of goods and services produced by UK firms whether in UK or not</td> <td>(1)</td> </tr> <tr> <td>is a measure of the UK's national output/value of all the goods and services produced in an economy</td> <td>includes GDP + net property income from abroad</td> <td>(1)</td> </tr> <tr> <td>for example includes Famous Grouse whisky produced in Scotland</td> <td>for example includes Primark producing clothes in Bangladesh</td> <td>(1)</td> </tr> <tr> <td>used by many nations as the main measure of economic activity</td> <td>used mainly by the USA as its measure of economic activity</td> <td>(1)</td> </tr> <tr> <td colspan="2">GNP is higher than GDP because it includes GDP (DEV)</td> <td>(1)</td> </tr> <tr> <td colspan="2">GDP is more commonly referred to in the UK than GNP (DEV)</td> <td>(1)</td> </tr> </tbody> </table> | GDP | whereas | GNP | | measures the value of all goods and services produced by UK firms within the UK | measures the value of goods and services produced by UK firms whether in UK or not | (1) | is a measure of the UK's national output/value of all the goods and services produced in an economy | includes GDP + net property income from abroad | (1) | for example includes Famous Grouse whisky produced in Scotland | for example includes Primark producing clothes in Bangladesh | (1) | used by many nations as the main measure of economic activity | used mainly by the USA as its measure of economic activity | (1) | GNP is higher than GDP because it includes GDP (DEV) | | (1) | GDP is more commonly referred to in the UK than GNP (DEV) | | (1) | 2 | <p>Award 1 mark for each valid linked distinction.</p> <p>Award 1 mark for a valid development.</p> |
| GDP | whereas | GNP | | | | | | | | | | | | | | | | | | | | | | | | |
| measures the value of all goods and services produced by UK firms within the UK | | measures the value of goods and services produced by UK firms whether in UK or not | (1) | | | | | | | | | | | | | | | | | | | | | | | |
| is a measure of the UK's national output/value of all the goods and services produced in an economy | | includes GDP + net property income from abroad | (1) | | | | | | | | | | | | | | | | | | | | | | | |
| for example includes Famous Grouse whisky produced in Scotland | | for example includes Primark producing clothes in Bangladesh | (1) | | | | | | | | | | | | | | | | | | | | | | | |
| used by many nations as the main measure of economic activity | | used mainly by the USA as its measure of economic activity | (1) | | | | | | | | | | | | | | | | | | | | | | | |
| GNP is higher than GDP because it includes GDP (DEV) | | (1) | | | | | | | | | | | | | | | | | | | | | | | | |
| GDP is more commonly referred to in the UK than GNP (DEV) | | (1) | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | | Expected response | Max mark | Additional guidance |
|----------|------|--|----------|--|
| (b) | (ii) | <ul style="list-style-type: none"> • regional inequalities may not be revealed (1) • income inequalities may not be revealed (1) • each country may calculate in a different way making it difficult to compare (1) • statistics must be in real terms to be comparable (1) • inaccuracies/corruption in data produced by each country (1) • calculation per capita is essential in order to compare (1) one country may record 'good' production – medicines, another country may record demerit goods – like cigarettes, chemical weapons (1) • figures may not take account of the shadow/black economy (1) the shadow economy can be up to 50% in developing economies DEV (1). Figures do not include household productivity, for example DIY (DEV) (1) • may not include figures of subsistence activity, for example, crops for own consumption (1) • depletion of natural/scarce resources are ignored. One country may be using up their assets quicker as GNP increases (1) • currency values change over time (1) | 4 | <p>Candidates must describe at least 2 limitations 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 | Max mark | Additional guidance | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------|---|-------------------|---------------------|-------------------|---------|--------|------|---------|---------|---------|--------|-------|---------------------------|--------|--------|---------|-----------|------------------------------------|---------|---------|--------|----------|--------|--------|--------|---------|---|--|
| (c) | <div data-bbox="548 359 1052 662" data-label="Figure"> </div> <p data-bbox="347 667 459 694">Diagram</p> <ul data-bbox="347 702 1176 805" style="list-style-type: none"> • appropriately shaped and labelled curve and axes (GDP) (1) • boom/slump/recovery/recession labels (min 3 indicated correctly) (1) <p data-bbox="347 837 728 869">Description - (1) mark each</p> <table border="1" data-bbox="347 901 1153 1300"> <thead> <tr> <th></th> <th>GDP</th> <th>Consumer Spending</th> <th>Profits</th> <th>Unempl</th> </tr> </thead> <tbody> <tr> <td>Boom</td> <td>highest</td> <td>highest</td> <td>highest</td> <td>lowest</td> </tr> <tr> <td>Slump</td> <td>prolonged negligible zero</td> <td>lowest</td> <td>lowest</td> <td>highest</td> </tr> <tr> <td>Recession</td> <td>2 consecutive neg quarters /lowest</td> <td>falling</td> <td>falling</td> <td>rising</td> </tr> <tr> <td>Recovery</td> <td>rising</td> <td>rising</td> <td>rising</td> <td>falling</td> </tr> </tbody> </table> | | GDP | Consumer Spending | Profits | Unempl | Boom | highest | highest | highest | lowest | Slump | prolonged negligible zero | lowest | lowest | highest | Recession | 2 consecutive neg quarters /lowest | falling | falling | rising | Recovery | rising | rising | rising | falling | 8 | <p data-bbox="1377 295 1892 327">Award maximum 2 marks for diagram.</p> <p data-bbox="1377 359 1960 391">Award maximum 3 marks for any one stage.</p> <p data-bbox="1377 422 2004 494">Award maximum 2 marks for any one economic indicator.</p> <p data-bbox="1377 526 2083 598">Award maximum 7 marks if all stages not mentioned either in diagram or in explanation.</p> <p data-bbox="1377 630 2083 702">Award maximum 1 mark for labels (either in diagram or in description).</p> <p data-bbox="1377 734 2083 837">Award maximum 2 marks for developments such as knowledge of 5-year typical cycle, recent double dip, increasing straight line average.</p> |
| | GDP | Consumer Spending | Profits | Unempl | | | | | | | | | | | | | | | | | | | | | | | | |
| Boom | highest | highest | highest | lowest | | | | | | | | | | | | | | | | | | | | | | | | |
| Slump | prolonged negligible zero | lowest | lowest | highest | | | | | | | | | | | | | | | | | | | | | | | | |
| Recession | 2 consecutive neg quarters /lowest | falling | falling | rising | | | | | | | | | | | | | | | | | | | | | | | | |
| Recovery | rising | rising | rising | falling | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Expected response | Max mark | Additional guidance |
|----------|--|----------|---------------------|
| | <p>Description:</p> <p>Boom/peak</p> <ul style="list-style-type: none"> • GDP above the target/trend rate/highest level (1) • highest levels of consumer spending (1) • firms have highest confidence/profits/investment (1) • unemployment is lowest/full employment (1) <p>Slump/trough</p> <ul style="list-style-type: none"> • GDP zero/negligible/prolonged period of low GDP (1) • lowest spending (1) • firms have lowest levels of confidence/profits /investment/many business failures (1) • unemployment highest (1) <p>Recovery</p> <ul style="list-style-type: none"> • GDP rising/turnaround in GDP/positive GDP (1) • consumers begin to spend more/spending rising (1) • firms are more confident/start to invest again/profits rising (1) • employment starts to rise/rising (1) <p>Recession</p> <ul style="list-style-type: none"> • two consecutive quarters of negative GDP/lowest (1) • consumer spending falling (1) • firms' profits falling/firms cut back on investment (1) • unemployment rising (1) | | |

| Question | | | Expected response | Max mark | Additional guidance |
|----------|-----|-----|---|----------|--|
| 5. | (a) | (i) | <ul style="list-style-type: none"> • availability of natural resources (for example, oil, forests, land) (1) • a skilled workforce (1). This helps improve productivity levels (DEV) (1) • access to Scottish consumers/a new market (1). This may allow for economies of scale (DEV) (1) • low interest rates (1) • weak pound relative to other currencies (1) • EU membership (currently) which eliminates trade barriers (1). This allows a non-EU company to trade as though it were an EU company (DEV) (1) • flexible labour markets (1). This allows for flexibility in recruitment (DEV) (1) • relatively weak unions/good industrial relations record (1). This may result in less working days lost due to industrial action (DEV) (1) • access to subsidies/Regional and National government grants (1). These can reduce costs of production (DEV) (1) • good transport and infrastructure (road/rail/air/sea/broadband) (1). This provides good links to major markets in England and the EU (DEV) (1) • low corporation tax levels (1). This allows businesses to keep more of their profits after tax (DEV) (1) • an English speaking population (1) • high levels of disposable income/likely market for the product (1) • political stability allows businesses to plan ahead (1) | 5 | <p>Candidates must describe at least 2 factors 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 a maximum of 4 marks for any one factor.</p> |

| Question | | Expected response | Max mark | Additional guidance |
|----------|----------|---|----------|---|
| | (a) (ii) | <ul style="list-style-type: none"> • local firms may struggle as are faced with increased competition (1) • opportunity cost of government grants (1) • increased pollution from factories etc (1) • depletion of non-renewable resources (1) • no long term commitment, leave when resources are depleted (1). 'Footloose' in nature, so may leave creating pockets of unemployment (DEV) (1) • profits do not remain in Scotland – they are repatriated (1) • creates reliance on foreign firms (which may lack loyalty) for jobs and investment (1) • 'screwdriver' economy may be created where job creation is centred in the low skilled/low paid assembly area or management jobs remain with foreign firm (1) | 4 | <p>Candidates must describe 2 disadvantages to gain full marks.</p> <p>Award 1 mark for each description. Up to 3 marks may be awarded for any one disadvantage.</p> <p>Award 1 mark for each valid development.</p> |

| Question | | Expected response | Max mark | Additional guidance |
|----------|-----|---|----------|--|
| | (b) | <ul style="list-style-type: none"> • benefits firms who export their goods and services abroad (1). Goods will be cheaper for foreign consumers (DEV) (1) therefore volume of export sales may increase (DEV) (1) • increases profits for UK firms involved in tourism (1) for example, hotels may benefit from an influx of tourists who will visit the UK (DEV) (1) • UK firms who earn profits abroad/have foreign investments will benefit (1) as they will receive more £ for their \$/€ when profits repatriated (DEV) (1) • as imports are more expensive UK consumers may demand more domestically produced goods (1). This will increase sales and profits (and market share) for UK firms (DEV) (1) • credit a numerical example (1) | 3 | <p>Candidates must discuss at least 2 advantages to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for a valid development.</p> <p>Award up to 2 marks for any one advantage.</p> |

| Question | | Expected response | | | Max mark | Additional guidance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|----------------|--|------------|----------------|----------|---------------------|----------------------|-----------------------|-----|------------------|------------------------------------|-----|-------------------------|-------------------------------|-----|--|-------------------------|-----|------------|-------------------|-----|-------------------------|---------------------------------------|-----|-----------------|----------------------|-----|---|--|-----|-----------------------------|-------------------------|-----|--|--|---|
| | (c) | <table border="1"> <thead> <tr> <th>Developing</th> <td rowspan="10" style="text-align: center; vertical-align: middle;">whereas</td> <th>Emerging</th> <td></td> </tr> </thead> <tbody> <tr> <td>slow economic growth</td> <td>rapid economic growth</td> <td>(1)</td> </tr> <tr> <td>low productivity</td> <td>rapid improvements in productivity</td> <td>(1)</td> </tr> <tr> <td>low standards of living</td> <td>improving standards of living</td> <td>(1)</td> </tr> <tr> <td>underdeveloped industry/infrastructure</td> <td>rapid industrialisation</td> <td>(1)</td> </tr> <tr> <td>little FDI</td> <td>attractive to FDI</td> <td>(1)</td> </tr> <tr> <td>reliance on agriculture</td> <td>secondary industry increasing rapidly</td> <td>(1)</td> </tr> <tr> <td>exports limited</td> <td>diversifying exports</td> <td>(1)</td> </tr> <tr> <td>low levels of savings/poor banking facilities</td> <td>easier access to banking facilities and credit</td> <td>(1)</td> </tr> <tr> <td>low education opportunities</td> <td>Investment in education</td> <td>(1)</td> </tr> </tbody> </table> | Developing | whereas | Emerging | | slow economic growth | rapid economic growth | (1) | low productivity | rapid improvements in productivity | (1) | low standards of living | improving standards of living | (1) | underdeveloped industry/infrastructure | rapid industrialisation | (1) | little FDI | attractive to FDI | (1) | reliance on agriculture | secondary industry increasing rapidly | (1) | exports limited | diversifying exports | (1) | low levels of savings/poor banking facilities | easier access to banking facilities and credit | (1) | low education opportunities | Investment in education | (1) | | | <p>4</p> <p>Candidates must make at least 2 comparisons to gain full marks.</p> <p>Award 1 mark for each valid linked comparison.</p> <p>Award 1 mark for a valid linked development.</p> |
| Developing | whereas | Emerging | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| slow economic growth | | rapid economic growth | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| low productivity | | rapid improvements in productivity | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| low standards of living | | improving standards of living | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| underdeveloped industry/infrastructure | | rapid industrialisation | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| little FDI | | attractive to FDI | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| reliance on agriculture | | secondary industry increasing rapidly | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| exports limited | | diversifying exports | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| low levels of savings/poor banking facilities | | easier access to banking facilities and credit | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| low education opportunities | | Investment in education | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | | Expected response | Max mark | Additional guidance |
|----------|---------|---|----------|---|
| | (d) (i) | <ul style="list-style-type: none"> • aims to promote free trade (1) • attempts to remove barriers to trade (1) • hold trade rounds (1) • mediates in trade disputes (1) • enforces members' adherence to agreements (1) • can impose penalties/compensation (1) | 2 | Award 1 mark for each description. |
| | (ii) | <ul style="list-style-type: none"> • aims to promote international economic co-operation (1) • lends money to governments (1) • give monetary/fiscal/exchange rate policy advice (1) • makes funds available to countries to meet B of P needs (1) • encourages debt relief (1) • promotes stability in exchange rates (1) • assists countries switching to more market-based economic systems (1) | 2 | Award 1 mark for each description. Credit references to current events, for example, Eurozone bail-outs – Greece etc. |

[END OF MARKING INSTRUCTIONS]