



National
Qualifications
2025

2025 Economics

Advanced Higher

Question Paper Finalised Marking Instructions

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General marking principles for Advanced Higher Economics

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

(a) Always use positive marking. This means candidates accumulate marks for the demonstration of relevant skills, knowledge and understanding; marks are not deducted for errors or omissions.

(b) If a candidate response does not seem to be covered by either the principles or detailed marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.

(c) For **describe** questions, candidates must make a number of relevant factual points, which may be characteristics and/or features, as appropriate to the question asked. These points may relate to a concept, process or situation. Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question

- award **1 mark** for each relevant factual point
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

(d) For **explain** questions, candidates must make accurate relevant points that relate cause and effect and/or make relationships clear. These points may relate to a concept, process or situation. Candidates may provide straightforward points of explanation or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question

- award **1 mark** for each relevant point of explanation
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

(e) For **justify** questions, candidates must give good reasons for a cause of action or decision. Up to the total mark allocation for this question

- award **1 mark** for each relevant statement or opinion
- award marks for any further development of a relevant statement or opinion.

(f) For **analyse** questions, candidates must demonstrate their ability to identify, describe and explain relevant parts and the relationships between the parts and/or the whole. Candidates must be able to draw out and relate any implications and/or analyse data.

Up to the total mark allocation for this question

- award **1 mark** for each relevant point of analysis
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

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

Up to the total mark allocation for this question

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

- (h) For **compare** questions, candidates must demonstrate knowledge and understanding of the similarities and/or differences between, for example, things, methods or choices. Candidates may include relevant theoretical concepts in their points.

Up to the total mark allocation for this question

- award **1 mark** for each accurate point of analysis
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

- (i) For **evaluate** questions, candidates must demonstrate the ability to make a reasoned judgement in terms of the effectiveness or usefulness of something based on criteria. Candidates should be able to determine the value of something within context.

Up to the total mark allocation for this question

- **1 mark** for each accurate point of evaluation
- **1 mark** for any further development of a relevant point, including exemplification and/or a conclusion when appropriate.

Marking instructions for each question

Section 1

Question		Expected response(s)	Max mark	Additional guidance
1.	(a)	<p>National debt (line 1)</p> <ul style="list-style-type: none"> total accumulated debt of the UK government (over time) (1) 	1	Award 1 mark for a valid description.
	(b)	<p>the Budget (line 17)</p> <ul style="list-style-type: none"> a statement made to the House of Commons by the Chancellor of the Exchequer on the nation's finances (1) <p>or</p> <ul style="list-style-type: none"> it outlines the government's economic plans for tax and spending (1) 	1	Award 1 mark for a valid description.
2.		<ul style="list-style-type: none"> the opportunity cost of the interest payments on that debt (1) this would mean they have less to spend on NHS/education/potholes (1) can result in crowding out because as governments borrow more, they compete with private borrowers for available funds (1). This can drive up interest rates, making it more expensive for businesses and individuals to borrow (1) potentially hindering economic growth (1) the burden of debt and future interest payments on that debt (1) the possible danger of future austerity measures (1) intergenerational unfairness and the possible tax burden on future generations (1) the possible negative impact on the UK's credit rating (1). A high debt-to-GDP ratio can damage a country's reputation in international financial markets, making it more difficult to borrow funds on favourable terms (1) the negative impact it may have on business confidence (1) the risk of a sovereign debt crisis (1) the possible danger of external ownership of government bonds (1) 	5	<p>Candidates must discuss at least 2 implications to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Maximum 1 mark for development of opportunity cost.</p> <p>Credit Ricardian equivalence.</p> <p>Credit modern monetary theory.</p>

Question		Expected response(s)	Max mark	Additional guidance
		<ul style="list-style-type: none"> the use of fiscal stimulus is limited if the country already has a high level of debt (1) if a government finances its debt by printing money, it can increase the money supply, leading to inflation (1) 		
3.		<ul style="list-style-type: none"> lower output as there is a smaller working population (1) higher spending on healthcare/NHS (1) leading to more jobs in health and social care sectors (1) higher dependency ratio (1) leads to a greater tax burden on working population (1) state receives less in taxation which worsens the public finances (1) and has to pay out more in pensions/benefits (1) could lead to decline in the size of population which could reduce the size of the economy (1) as demand for workers outstrips supply, wages may rise (1), leading to increased costs for businesses (1) a less experienced workforce (due to sudden surge in retirement) may lead to lower productivity (1) 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) may force governments to make changes to social security systems to encourage people to work longer (1) may drive innovation and adoption of artificial intelligence (AI) (1) 	5	<p>Candidates must describe at least 2 impacts to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>

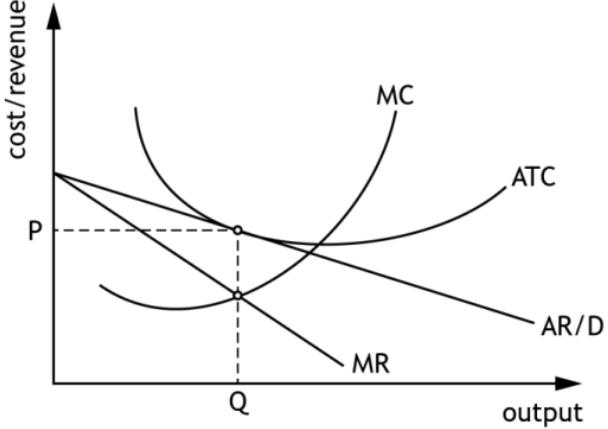
Question	Expected response(s)	Max mark	Additional guidance
4.	<ul style="list-style-type: none"> • transition to electric vehicles could create new jobs in the electric vehicle manufacturing industry/battery production/associated infrastructure (1) however, transition to electric vehicles could lead to job losses in the car industry, particularly in regional areas where vehicle manufacturing is concentrated (1) • electric vehicles typically have lower operating costs than petrol or diesel cars, which could benefit consumers/businesses (1) • widespread adoption of electric vehicles will require significant investment in charging infrastructure/public investment (1) • electric vehicles produce zero tailpipe emissions, which could lead to public health benefits (1) and reduced government spending on public health/NHS (1) • lower demand for imported oil and its replacement by UK-generated electricity (1), resulting in increased energy independence (1). However, a shift to electric vehicles could increase demand for electricity, potentially leading to higher energy prices (1) and strain on the national grid (1) • higher initial cost of electric vehicles could exacerbate economic inequality as lower-income households may find it difficult to afford them (1) • EVs are significantly heavier than combustion engine cars and this will put additional strain on UK roads and motorways infrastructure (1) • dumping of Chinese cars in UK market may lead to loss of market share for existing manufacturers (1) 	5	<p>Candidates must discuss at least 2 implications to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
5.	<p>Advantages</p> <ul style="list-style-type: none"> • FDI can lead to the creation of new jobs, both directly in the foreign-owned company and indirectly in supporting industries (1) • FDI can contribute to economic growth by increasing investment (1) • some studies have found a positive correlation between FDI and increased productivity (1) • foreign companies often bring advanced technology and management practices to the host country, which can benefit domestic businesses and industries (1) • FDI can increase competition, which can lead to lower prices/better quality products or services/more choice for consumers (1) • foreign companies often pay taxes to the host government, which can generate additional revenue for public services (1) <p>Disadvantages</p> <ul style="list-style-type: none"> • FDI is often associated with screwdriver jobs which often require minimal training and education, limiting opportunities for career advancement and higher earnings (1). Many screwdriver jobs are temporary or contract-based, leading to job insecurity and a lack of benefits (1). Workers in these roles may face stagnant wages or low pay increases, contributing to income inequality (1). As technology advances, automation could replace some of these manual tasks, putting workers at risk of job loss (1) • FDI can result in a loss of control over key industries or sectors of the economy to foreign companies (1) • foreign companies may repatriate their profits back to their home countries, which can reduce the amount of capital available for investment in the host country (1) • foreign companies may not always adhere to the same environmental standards as domestic businesses, which can lead to concerns about pollution and resource depletion (1) 	6	<p>Candidates must discuss at least one advantage and one disadvantage to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p>

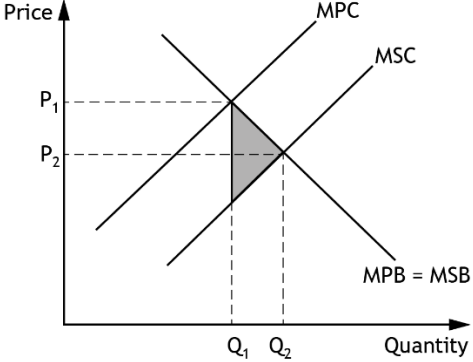
Question			Expected response(s)	Max mark	Additional guidance
			<ul style="list-style-type: none"> excessive reliance on FDI can make a country vulnerable to economic shocks and policy changes in the investor's home country (1) FDI may crowd out domestic investment, particularly in sectors where it competes directly with domestic firms (1) 		
6.			<ul style="list-style-type: none"> Capital Gains Tax is a tax on the profit when you sell/dispose of an asset that has increased in value (1) you only have to pay Capital Gains Tax on your total gains above an annual tax-free allowance (1), which is £3,000 for 2024/25 (accept £6,000 for 2023/24) (1) you do not pay CGT if you are selling your main residence (1), however any other properties you own could be subject to CGT if you have made a gain (1) you do not usually pay tax on gifts to your husband, wife, civil partner or a charity (1) you do not pay CGT on any gains you make from ISAs or PEPs/UK government gilts/Premium Bonds/betting, lottery or pools winnings (1) limited companies do not pay CGT/you may have to pay CGT if you are a self-employed sole trader or in a business partnership (1) you have to pay tax on gains you make on property and land in the UK even if you are a non-resident for tax purposes (1) 	3	<p>Candidates must describe at least 2 features to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
7.	<p>Arguments for</p> <ul style="list-style-type: none"> • it is a fair way to redistribute wealth (1), as it can help to reduce inequality (1) • can generate significant revenue for governments (1), which can be used to fund essential public services such as education, healthcare, and infrastructure (1) • it can help to prevent negative economic consequences associated with the concentration of wealth in a small number of families (1) • it would lead to further regional inequity as around half of the gains from abolishing inheritance tax would also go to (1) estates in London and the South East, where the wealthiest individuals are concentrated (1) • it can promote accountability and transparency (1), as it requires disclosure of assets and liabilities upon death (1) <p>Arguments against</p> <ul style="list-style-type: none"> • it can place an undue financial burden on families, especially those who have worked hard to build wealth over generations (1). They contend that it's unfair to tax the transfer of wealth that has already been subject to income tax during the individual's lifetime (1) • it can discourage saving and investment (1), as individuals may be less inclined to accumulate wealth if they believe it will be subject to significant taxation upon their death (1) • it can lead to economic inefficiency by forcing families to sell assets to pay the tax (1), which can disrupt business operations and reduce investment (1) • it encourages wealthy individuals to engage in tax avoidance and evasion schemes to minimise their inheritance tax liability (1) 	4	<p>Candidates must describe at least one argument for and one argument against to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>

Section 2

Question	Expected response(s)	Max mark	Additional guidance
<p>8. (a)</p>	 <p>Diagram</p> <ul style="list-style-type: none"> • fully labelled diagram (costs/revenue, output, MC, ATC, AR/D, MR, P, Q) (1) • profit maximising output where $MC=MR$ and AR/D curve downward sloping (1) • downward sloping AR/D curve and the ATC curve are tangential at the profit maximising output (1) <p>Explanation</p> <ul style="list-style-type: none"> • in the short run, firms in monopolistic competition can make abnormal profits or losses (1). These abnormal profits attract new firms into the industry (1) this is due to low barriers to entry (1). As a result, supply in the market increases in the long run (1) which leads to the individual firm experiencing lower demand (1). The demand curve for the individual firm shifts to the left until it is tangential to the ATC curve/ATC = AR (1). At this point the firm is making a normal profit/breaking even (1) and there is no incentive for further firms to enter the industry (1) 	<p>6</p>	<p>Award up to 3 marks for a correct diagram.</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 quantity or output.</p> <p>Accept diagram showing shift in AR/D.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	<p>Competition and Markets Authority UK/other regulatory bodies</p> <ul style="list-style-type: none"> • investigate against instances of collusion and price fixing (1) to ensure healthy market competition (1) • investigate mergers which might substantially lessen competition (1) and can prevent mergers if deemed against the public interest (1) • investigate markets if there are suspected competition or consumer problems (1) and require those involved to take steps to address the problems (for instance by restricting or limiting behaviour) (1) • investigate possible dominant position abuse as laid down under The Competition Act 1998/Enterprise Act 2002 (1) and fine firms for breaches of competition law (1) • covertly investigate firms suspected of lessening competition to obtain possible evidence (1) • bring criminal proceedings against individuals who commit cartel offences (1) • promote competition and innovation which benefits consumers by bringing down prices and results in higher quality products and services (1) • they carry out investigations into companies they believe may be breaching a licence agreement, consumer protection or competition legislation (1) • they can impose fines (1) or specify measures firms must undertake to stop or prevent anti-competitive or abusive behaviour (1) <p>Other measures:</p> <ul style="list-style-type: none"> • trade liberalisation • de-regulation • privatisation 	6	<p>Candidates must describe at least 2 measures to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
(c) (i)	<p data-bbox="443 260 768 284">Positive Externality in Production</p>  <p data-bbox="349 715 465 738">Diagram</p> <ul data-bbox="349 754 1245 922" style="list-style-type: none"> • correctly labelled diagram (price, quantity, P_1 and P_2, Q_1 and Q_2, MPC, MSC, MSB=MPB) (1) • MPC above MSC shown (1) • both original and new equilibrium point shown (1) • potential welfare gain shaded/indicated/labelled (1) <p data-bbox="349 962 517 986">Explanation</p> <ul data-bbox="349 1002 1245 1369" style="list-style-type: none"> • positive externalities occur when the production of renewable energy leads to positive impacts on third parties (1). This leads to marginal private cost being greater than the marginal social cost (1). As a result renewable energy is underproduced (1) leading to a loss of social welfare (1). The socially optimum allocation of resources occurs when $MSB = MSC$ (1). In the diagram the free market equilibrium is at P_1Q_1 but the social optimum occurs at P_2Q_2 (1) • the benefits of increased production of renewable energy would be reductions in greenhouse gas emissions caused by the burning of fossil fuels (1) 	7	<p data-bbox="1384 228 1933 252">Award 1 mark for each valid explanation.</p> <p data-bbox="1384 300 1955 323">Award 1 mark for each valid development.</p> <p data-bbox="1384 371 1854 395">Maximum 4 marks for the diagram.</p> <p data-bbox="1384 443 1899 467">Maximum 4 marks for the explanation.</p>

Question		Expected response(s)	Max mark	Additional guidance
		<ul style="list-style-type: none"> • production of wind/solar farms create jobs and other positive multiplier effects (1) • renewable energy production is more sustainable as in the long run it uses fewer resources (1) • research and development involved in increased production of solar/wind power can have positive spillover effects (1) 		
	(ii)	<p>Carbon Tax</p> <ul style="list-style-type: none"> • imposed on those firms which have large CO2 emissions. This has the benefit of the ‘Polluter Pays’ principle (1) and this would go some way to ensuring 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 CO2 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). Excessive taxation can force firms to move production to countries with lower levels of taxation/regulation (1) 	6	<p>Candidates must evaluate at least 2 measures 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>International Trading Carbon Permit Scheme</p> <ul style="list-style-type: none"> • 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). Limit is reduced over time thus reducing pollution (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) • 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). Setting generous limits/low costs for purchase of permits to ensure buy-in reduces the effectiveness of the policy (1) <p>Other measures include:</p> <ul style="list-style-type: none"> • subsidies for greener tech • banning petrol/diesel cars • subsidising electric cars • subsidising public transport • recycling schemes • discouraging consumption/production of meat • reducing packaging • rewilding • reforestation • international regulations on emissions standards • LEZ/ULEZ zones 		

Section 3

Question		Expected response(s)	Max mark	Additional guidance
9.	(a)	<ul style="list-style-type: none"> • over 8 million UK households have a mortgage (1 stat) - those households on a variable rate ‘tracker’ can expect to see their monthly bill reduced, resulting in more discretionary income (1) which they may spend, thereby stimulating demand in the economy (1). This could also result in a positive multiplier effect (1) and lower unemployment (1). However, some banks may not pass on the rate cut to mortgage holders (1) • businesses may take advantage of cheaper loans and choose to invest (1), thereby improving efficiency (1) and/or improving their products (1) • it may lower the value of the pound (1), benefiting UK exports manufacturers (1) but harming UK holidaymakers (1) • loose monetary policy may be ineffective due to low consumer confidence (1) • if an economy is already operating near full capacity, lower interest rates can lead to increased demand, putting upward pressure on prices and causing inflation (1) • there is often a lag as it can take 16-18 months for any change to take effect (1) • could put added pressure on deficits facing some pension funds (1). However, pensions are long term investments, so the long-term health of the economy is a more important element to consider (1) • low interest rates can encourage speculation in asset markets, leading to the formation of bubbles (1) that may eventually burst, causing economic instability (1) • lower interest rates may discourage saving, potentially leading to a decline in household wealth over the long term (1) • lower interest rates can make it easier for individuals and businesses to borrow, potentially leading to higher levels of debt and increased financial risk (1). Lower interest rates may also lead to the continued existence of zombie firms (1) 	8	<p>Candidates must analyse at least 2 consequences to gain full marks.</p> <p>Award 1 mark for each valid analysis.</p> <p>Award 1 mark for each valid development.</p> <p>Award up to 2 marks for use of accurate statistics for Question 9.</p>

Question		Expected response(s)	Max mark	Additional guidance
		<ul style="list-style-type: none"> credit reference to current debate that due to 40% of houses in the UK are owned outright without a mortgage (1 stat) means that traditional assumptions about the monetary transmission mechanism could be redundant/less effective (1) 		
	(b)	<ul style="list-style-type: none"> new government has promised to build 1.5 million (300,000 per year) new homes over the 5 years in government (1 stat) house building creates jobs directly in the construction industry and/or indirectly in related sectors like manufacturing, retail, and financial services (1) however it may create a shortage of labour for other infrastructure projects (1) increased spending on construction can boost overall economic activity and help to stimulate demand for other goods and services (1) lack of construction workers could cause wage inflation in the building sector (1) and subsequently increase the cost of building, which raises house prices (1) a larger supply of housing can help to alleviate housing affordability issues (1), particularly in areas such as the South-East of England (1) building programs can contribute to the regeneration of declining areas (1) and assist the government in reducing the 'North-South' divide (1) a large-scale building program can increase demand for resources like land and materials, potentially driving up prices and contributing to inflation (1) a significant increase in supply could see average house prices fall across the UK (1), which could lead to some households experiencing negative equity (1) and a reduction in their asset wealth (1). This could lead to a negative wealth effect where consumers spend less after the value of their assets decreases (1) there could be a significant shift in intergenerational wealth (1) as current high house prices benefit older homeowners who tend to own their property outright (1) but prohibits many younger first-time buyers from entering the market (1) 	8	<p>Candidates must describe at least 2 impacts to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>

Question			Expected response(s)	Max mark	Additional guidance
			<ul style="list-style-type: none"> • construction activities can have negative externalities such as habitat destruction/pollution (1) • a rapid increase in housing supply can potentially lead to market instability, with prices fluctuating and affecting homeowners and investors (1) • if house building is aligned with economic and employment growth this will facilitate the migration of workers to more productive parts of the country (according to Oxford Economics) (1) 		

Question	Expected response(s)	Max mark	Additional guidance
(c)	<ul style="list-style-type: none"> • there could be direct job losses as the industry employs thousands of people (1). The UK oil and gas industry supports over 200,000 jobs (1 stat). The industry supports a wide range of suppliers and service providers, and their businesses could also be affected, leading to further indirect job losses/loss of business (1), and a decline could also lead to significant job losses in regions heavily reliant on oil and gas, such as the North-East of Scotland (1) • a decline could lead to a decrease in government tax revenue (1), potentially impacting public services (1) • as domestic production declines, the UK may become more reliant on imported oil and gas (1). Increased reliance on imports could lead to higher energy prices for consumers and businesses (1). This could also make the country vulnerable to global price fluctuations (1) and supply disruptions (1) • a declining oil and gas industry emphasises the need for the UK to diversify its economy to reduce its dependence on a single sector (1). This could result in accelerating investments in renewable energy/green technologies (1), leading to better long-term economic growth in the economy (1) • shifting investment to renewable/greener energy may lead to creation of energy related jobs throughout the country and not just in one specific region (1). This could lead to reduced regional inequality (1). Credit reference to new Great British Energy (GBE) having smaller satellites sites in Edinburgh and Glasgow (1) • a declining oil and gas industry may also accelerate the adoption of cleaner energy which would reduce the negative externalities associated with oil and gas production (1) 	9	<p>Candidates must analyse at least 2 consequences to gain full marks.</p> <p>Award 1 mark for each valid analysis.</p> <p>Award 1 mark for each valid development.</p> <p>Credit reference to impacts of previous market shocks eg quadrupling of oil prices in 1970s by OPEC, war in Ukraine etc - maximum 1 mark.</p>

Question		Expected response(s)	Max mark	Additional guidance
10.	(a)	<p>Advantages:</p> <ul style="list-style-type: none"> • makes the tax system more progressive (1) • raises tax revenue for the government (1). The additional revenue can be used to invest in public sector spending such as infrastructure/education/healthcare (1) • reduces income inequality (1) <p>Disadvantages:</p> <ul style="list-style-type: none"> • disincentivise enterprise which leads to less economic dynamism (1). This can lead to slower economic growth and job creation (1) • relocation and brain drain lead to loss of skilled workers (1). This can have a negative impact on productivity and innovation (1) • disincentivise workers to work additional hours reducing the supply of labour to the market (1) • could potentially lower tax revenues through tax avoidance (1). Credit reference to Laffer Curve (1) • implementing and enforcing a complex tax system with a high top marginal tax rate can be costly and time-consuming for the government (1) 	6	<p>Candidates must discuss at least one advantage and one disadvantage to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Award up to 2 marks for use of accurate statistics for Question 10.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	<ul style="list-style-type: none"> • changes in the structure of the UK economy leading to predominance of highly skilled/highly paid sectors in London and South East (1) credit references to financial sector/IT/publishing/politics/law/ ‘the golden triangle’ (London/Oxford/Cambridge) etc (1) high paid jobs in Southeast draw talent from the other regions (1) • decline of manufacturing/deindustrialisation causing differing levels of unemployment (1) • London-centric transport links/access to Southeast and London as a domestic and international travel hub increasing factor mobility at a faster rate than the rest of the country (1) • lack of investment and regional decline leading to social exclusion and poverty in certain areas (1) • lack of sufficient government intervention in previous years to address this issue leading to long-term economic decline out with the Southeast (1) • expanding media industry primarily located in Southeast reinforcing London-centric wealth creation (1) • prohibitive housing costs causing labour immobility in the UK (1) • regional disparities in educational outcomes/healthcare impacting productivity/disincentivise FDI due to socio-economic deprivation (1) <p>Other points may include</p> <ul style="list-style-type: none"> • National Lottery funding/investment in cultural activities is dominated by London/South • failure of Northern Powerhouse/Levelling Up agenda • the presence or absence of natural resources eg oil can significantly impact regional economies • globalisation has led to increased competition between regions and countries 	6	<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> <p>Credit an appreciation that within a region or city there can be wide disparities as well as between them.</p>

Question	Expected response(s)	Max mark	Additional guidance
(c)	<ul style="list-style-type: none"> • building more affordable housing can provide individuals and families with a stable foundation from which to pursue education and employment (1). This can help to break the cycle of poverty (1), and new affordable housing can attract workers and assist labour mobility (1). However, governments may need to allocate significant resources to fund affordable housing programs (1). The demand for affordable housing can exceed supply, particularly in high-cost regions (1). The location of affordable housing can also be a factor in its effectiveness, as affordable housing should be located in areas with access to jobs, transportation, and other essential services (1) <p>Other relevant government policies could include:</p> <ul style="list-style-type: none"> • government grants to firms to encourage location/relocation to areas of high unemployment • extra spending on education/healthcare to improve equality of opportunity • use the tax system to encourage investment in training/capital infrastructure spending • encourage government departments to relocate out of London • regional assistance grants • supporting the development of freeports in specific regions to attract investment and create jobs • supporting the establishment or expansion of regional universities to enhance higher education opportunities and attract skilled workers • investing in urban regeneration projects to revitalise declining city centres and create new economic opportunities • devolution and empowering local authorities with greater autonomy and decision-making powers to address regional economic challenges 	6	<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>

Question	Expected response(s)	Max mark	Additional guidance
(d)	<p>Possible economic costs:</p> <ul style="list-style-type: none"> • can be extremely expensive, requiring significant government spending to acquire these assets/cost of share buy-back (1). This can lead to increased national debt (1) and can also reduce spending on other government services (1) • government-owned industries may be less efficient than privately-owned ones due to factors such as bureaucracy/political interference/a lack of profit motive (1). This can lead to higher costs for consumers (1) • burden on taxpayers rather than shareholders, as risks on the business would now cost the taxpayer not the shareholders (1) • government-owned industries may be less innovative as they may be less incentivised to take risks and invest in research and development (1) <p>Possible economic benefits:</p> <ul style="list-style-type: none"> • renationalisation can ensure that essential services like energy/water/transportation are provided to all citizens, regardless of their income (1). This can lead to a more equitable allocation of resources (1) • renationalisation can lead to lower prices for consumers, especially if the government is able to reduce costs through economies of scale (1) • emphasis on quality/health and safety as the government can set the objectives (1) • potential higher investment as surpluses/profits reinvested in the industry (1). Or surpluses/profits could then be used to improve the public finances (1) • renationalisation can provide job security for workers in key industries (1) • not renewing rail franchises allows the government to nationalise railways without high levels of compensation (1) 	7	<p>Candidates must describe at least one cost and one benefit to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
11.	(a)	<p>Potential costs</p> <ul style="list-style-type: none"> • increase in wages of NHS workers has significant impact on public finances (1) due to it employing 1.5m people (1 stat). Increase in wages does not lead to an increase in treatments/reduce waiting lists (1) • health inflation rises faster than inflation which is unsustainable in the long term as other government department budgets (defence, education, etc) may be cut to fund spending on health (1) • funding to increase to £179 billion in 2024 (1 stat) • NHS funding has historically risen by 3.7% a year in real terms (1 stat) • taxes (both direct and indirect) may have to go up to pay for funding (1). Credit discussion of possible tax options - income tax, freezing tax bands (fiscal drag), inheritance tax, reducing personal allowance, fuel duty, etc (1). Tax increases may reduce consumer spending (1). There may be the need for a hypothecated tax aimed at increasing NHS spending (1) • NHS may have to deliver productivity gains by reforming and restructuring to ensure improved quality of service from the additional spending (1) • government borrowing may be used to fund NHS, resulting in increased interest payments on debt (1) • may have to charge at the point of use (1) 	8	<p>Candidates must discuss at least one cost and one benefit to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Award up to 2 marks for use of accurate statistics for Question 11.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<p>Potential benefits</p> <ul style="list-style-type: none"> • will alleviate current demand pressures/backlogs resulting from Covid/ageing population/mental health (1) • improved health outcomes can lead to a better quality of life for individuals, which can positively impact their productivity (1) • a healthier population is less likely to be absent from work due to illness (1), which could lead to long term economic growth (1) • improved health can encourage individuals to remain in the workforce for longer, further contributing to economic growth (1). It could also reduce government spending on sickness benefits (1) • a strong healthcare system can attract businesses and investors (1) • increased spending on the NHS can also stimulate economic activity in related industries (1), such as pharmaceuticals and medical equipment, creating jobs in those sectors (1) 		

Question	Expected response(s)	Max mark	Additional guidance
(b)	<p>Positive</p> <ul style="list-style-type: none"> • real wage growth may encourage consumer spending (1) which could lead to higher aggregate demand (1) which could stimulate economic growth (1) • rising wages may result in an increase in income tax paid to the government (1) • rising wages may act as an incentive for the unemployed to supply their labour (1), thereby reducing unemployment (1) • with rising labour costs, firms may decide to invest in capital equipment, which may improve UK productivity figures (1) • improves standards of living (1) <p>Negatives</p> <ul style="list-style-type: none"> • rising wages may impact firms' profitability and long-term sustainability (1), and there have been concerns raised recently in the services sector of the impact of rising wage costs (1) • sectors of the economy where workers are not gaining real wage increases could experience industrial unrest (1) • 'Footloose' firms may decide to locate to another country due to rising labour costs (1) • consumer spending may not actually increase due to weak consumer confidence (1) • those with higher wages could be moved into higher tax bands creating fiscal drag (1) • if real wage increases without a balancing rise in productivity it could be inflationary (1) • negative impact on UK international competitiveness (1) consumers may decide to switch to relatively cheaper imports (1), thereby worsening the Balance of Payments (1) 	6	<p>Candidates must discuss at least 2 implications to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
(c)	<p>Advantages</p> <ul style="list-style-type: none"> • improves the public finances as the government pays lower benefits/more income tax is paid (1), freeing up resources for other government spending priorities such as health/education (1) • greater consumer spending as individuals in employment earn higher incomes (1) • higher rates of economic growth/GDP due to higher output (1) • higher living standards due to higher incomes/wages (1) • improved economic/social cohesion as low unemployment can lead to greater social stability and reduced crime rates (1) • possibility of reduced industrial unrest would lead to less disruption to firms (1) <p>Disadvantages</p> <ul style="list-style-type: none"> • labour shortages will put upward pressure on wages (1) may lead to higher inflation (1) • in some sectors, low unemployment rates can lead to skill shortages, making it difficult for businesses to find qualified workers (1) • figures might hide under-employment impacting the reliability of government data/underutilisation of labour resources (1) • in a tight labour market, workers may feel less secure in their jobs, as they may fear being replaced by someone who is willing to work for less (1) 	6	<p>Candidates must explain at least one advantage and one disadvantage to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
(d)	<ul style="list-style-type: none"> • cashless payments can make it easier for consumers to spend money, potentially stimulating economic growth (1) • electronic payments are generally faster and cheaper than cash transactions, reducing costs for businesses/consumers (1) • digital transactions create a clear audit trail, making it easier to track spending (1) and helps early identification of bank fraud (1) • electronic payments can help bring the informal economy into the formal economy, increasing tax revenue (1) and improving economic transparency (1) • cashless economies eliminate the problem of counterfeit currency (1) • there will be faster monetary transmission, so central banks can implement monetary policy changes more quickly and effectively (1) • no paper notes and coins are needed in a cashless economy, reducing paper consumption and waste (1) • cashless economies can make it easier for people without bank accounts to access financial services (1) and can aid economic development especially in developing economies (1) • operating in cash costs countries approximately 0.5% of their GDP (1 stat) 	5	<p>Candidates must describe at least 2 benefits 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
12.	(a)	<ul style="list-style-type: none"> • is a free trade agreement between the United States, Mexico, and Canada (1) • it replaced the North American Free Trade Agreement (NAFTA) (1) • there are zero tariffs on all goods that meet the rules of origin (1), which are the criteria that a product must originate in one of the three signatory countries to gain preferential tariff treatment (1) • requires that 75% of the value (note: accept components) of an automobile or light truck be produced in any of the three countries (1). This rule also requires that 40-45% of a vehicle's production by value (note: accept components) be made by workers earning at least \$16 per hour (1). At least 70% of a car producer's steel and aluminium purchases must originate in USA (1) • includes labour and environmental standards, with a focus on protecting workers' rights and the environment (1) • provides increased market access for Canadian dairy products in the United States (1) • includes a sunset clause that requires the agreement to be reviewed every 16 years (1) • provides full national treatment for copyrights and related rights (1). For example, it mandates a minimum of 15 years of protection for industrial designs (1). There are also criminal penalties for trade secret theft (1) • prohibits custom duties on products distributed electronically (1). For example, the USMCA prohibits tariffs on digital music, e-books, and other digital products (1) 	5	<p>Candidates must describe at least 2 features to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for 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
(b)	<ul style="list-style-type: none"> • business/consumer confidence remained weak due to economic/political uncertainty (1) • the Federal Reserve did not make significant cuts to interest rates as inflation in the US had not fallen back as quickly as expected (1). This meant that borrowing remained low (1) and subsequently reduced consumer spending has impacted on aggregate demand in the US (1). Consumer spending accounts for 70% of US economic activity (1 stat), so any drop in this has a major impact on the US economy (1) • unemployment continued to be a problem for the US economy throughout 2024 (1). The rate of unemployment in the US rose to 4.3% in July 2024 (1 stat), which was a three-year high (1) • the US economy has been affected by the economic uncertainty in other parts of the world, such as the ongoing war in Ukraine (1) • thousands of dockworkers/Screen Actors Guild went on strike, causing significant trade and economic disruption (1) • the stimulus money that US citizens received during the pandemic has mostly run out (1) • student loan repayments have returned after a three-and-a-half year pause (1) • US banks have begun implementing stricter requirements for commercial loans (1) • business and consumer confidence were low after a drop in stock market share prices (1), particularly the stock market prices of media/tech companies (1) 	6	<p>Candidates must describe at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
(c)	<p>Pro-trade/anti-aid</p> <ul style="list-style-type: none"> • trade encourages market competition (1), which can lead to increased efficiency/lower prices/higher quality goods and services (1) • developing countries can benefit from increased exports (1), which can generate foreign exchange reserves (1) which could improve balance of trade (1) • supporters of trade point to the Asian ‘tiger’ economies which have been able to dramatically increase economic welfare through increasing trade (1) • the promotion of trade can have a positive multiplier effect (1). Once an industry is established and trading, other companies can provide services/components to that industry boosting the economy further (ancillary industries) (1) • trade can boost employment (1) • trade helps foster transferable skills as MNCs bring technology and training when they trade with developing economies (1) • trade provides a long-term basis for international co-operation (1) • trade can help developing countries integrate into the global economy, making them more attractive to foreign investors (1) • foreign aid to developing economies is wasteful and creates a damaging culture of dependency (1). This is a view held by Dambisa Moyo in her book Dead Aid (1) • aid is often subject to vested interests/political corruption and fails to improve living standards (1) • if the developed country goes through a bad economic period, the aid budget may be cut (1) • aid is often misspent on military or ‘white elephant’ projects, and this has been called ‘bad aid’ (1) • credit reference to China’s emphasis on trade with Africa, not aid (1) • credit criticism of ‘Washington Consensus’/economic neo-colonialism (1) 	10	<p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<p>Pro-aid</p> <ul style="list-style-type: none"> • aid can provide essential resources to address immediate needs, such as food security/healthcare (1) • aid can be used to address market failures, such as the lack of investment in public goods or the absence of financial markets (1) • developing economies may not be in a position to benefit from trade. Their comparative advantage may lie in primary products which are subject to fluctuating commodity prices (1) which are the most protected by the EU and US (1) eg American cotton subsidies (1) • the infant industry argument holds that developing countries may actually be hindered by free trade (1) • aid can help overcome capital shortages and debt repayments (1) • aid is not always provided in the form of money and is sometimes provided through expert advisors and is therefore more effective (1) • trade requires investment first, and aid can deliver this (1) • aid is often focussed on target groups and specific problems (1) • aid can create sustainable development at a local level (1) 		

Question	Expected response(s)	Max mark	Additional guidance
(d)	<ul style="list-style-type: none"> • developing economies often represent new markets for goods and services from developed countries. As these economies grow, they create opportunities for exports and investments (1) • foreign aid can help to stabilise developing countries, reducing the risk of political instability and conflicts that could disrupt global trade (1) and limits disruptive population flow towards developed economies (1) • foreign aid can be used to build strategic alliances and strengthen diplomatic relationships with developing countries. This can be important for securing access to resources (1). Furthermore, foreign aid can help to diversify developed economies supply chains by supporting the development of alternative sources of raw materials and components (1) • aid can be used to support trade liberalisation efforts in developing countries, reducing trade barriers and making it easier for developed economies' businesses to export (1) • foreign aid can help to address the root causes of conflict, such as poverty, inequality, and lack of opportunities, thereby reducing the risk of instability and violence that could threaten a developed economy's security/infrastructure (1) • foreign aid can help to control infectious diseases, such as malaria and HIV/AIDS, which can have a significant impact on global health and the global economy (1) 	4	<p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p>

[END OF MARKING INSTRUCTIONS]