



National
Qualifications
2019

X822/76/11

Economics

FRIDAY, 24 MAY

9:00 AM – 11:30 AM

Total marks — 90

SECTION 1 — 30 marks

Attempt ALL questions.

SECTION 2 — 60 marks

Attempt ALL questions.

You may use a calculator.

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

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

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



* X 8 2 2 7 6 1 1 *

SECTION 1 — 30 marks

Read the following source and attempt ALL the questions that follow.

BRITAIN IS COMMITTED TO FREE TRADE, CHANCELLOR OF THE EXCHEQUER TELLS CHINA

Britain is committed to free trade, and hopes to seize ‘unlimited opportunities’ brought by China’s ‘Belt and Road initiative’, says UK Chancellor of the Exchequer Philip Hammond.

China’s Belt and Road initiative is the name given by China to its attempt to boost trade and stimulate economic growth by investing more in infrastructure projects, improving connections between China and other countries around the globe.

Long running trade talks between Britain and China have taken on new importance for Britain, as it looks to reinvent itself as a global trading nation after it leaves the European Union.

However, these talks come against the backdrop of increasingly tense relations between China and the United States. Beijing is accusing Washington of protectionism with each country setting tariffs, and threatening further tariffs.

New tariffs imposed by the USA will also affect UK exporters, making steel and aluminium exports from the UK less attractive to customers in the United States, potentially costing thousands of UK jobs.

Questions	MARKS
1. (a) Describe what is meant by a ‘tariff’.	2
(b) Explain the benefits of ‘free trade’ to the UK economy.	4
(c) Draw a diagram to show the effect of ‘new tariffs imposed’ combined with ‘investing more in infrastructure projects’ on the global market for steel.	4
(d) Describe reasons for economic growth being a government objective.	2
(e) Explain why ‘investing more in infrastructure projects’ may result in an even greater increase in National Income.	3

Read the following source and attempt ALL the questions that follow.

NHS IN THE UK NEEDS £2,000 IN TAX FROM EVERY HOUSEHOLD TO STAY AFLOAT

The Institute for Fiscal Studies (IFS) stated that the National Health Service (NHS) has been suffering a severe spending squeeze. Experts now say that the NHS requires an urgent increase in both capital and current spending to cope with increasing demand for its services.

A major new report states that it is hard to see how this rise in health spending would be possible without increasing government revenue or reducing spending on other areas.

Since 2010, governments have been imposing severe cuts on almost all public and merit goods and services to try and reduce the Public Sector Net Cash Requirement (PSNCR) and the national debt.

Additionally, a significant number of NHS staff say that their nationality is not British. Post-Brexit, some economists are predicting further problems for the NHS due to the possible lack of access to foreign workers when the freedom of movement of labour comes to an end.

Questions	MARKS
2. (a) Describe what is meant by 'current spending'.	2
(b) Explain why the government intervenes to provide	
(i) public goods	1
(ii) merit goods.	1
(c) Define the following terms.	
• PSNCR	
• National debt	2
(d) Explain ways in which globalisation could help reduce the UK national debt.	3
(e) Explain, using a diagram, the opportunity cost to the UK government of allocating increased resources to the NHS.	3
(f) Describe 'further problems' the NHS may face after losing access to 'freedom of movement of labour'.	3

[Turn over

SECTION 2 — 60 marks

Attempt ALL questions

3. (a) (i) Define scarcity. 2
(ii) Explain methods of reducing the impact of scarcity. 3
- (b) Explain 3 reasons why the demand curve for some goods slopes upwards from left to right. 3
- (c) Describe factors which increase the supply of a product. 4
- (d) Explain the law of diminishing marginal returns. 4
- (e) Describe internal and external economies of scale. 4
4. (a) Explain ways in which fiscal policy measures can be used to reduce the level of income inequality in the UK. 6
- (b) (i) Distinguish between the UK's Gross Domestic Product (GDP) and Gross National Product (GNP). 2
(ii) Describe limitations of using national income statistics to compare economies. 4
- (c) Describe, using a diagram, the stages of the business cycle (trade cycle). 8
5. (a) (i) Describe factors which may attract foreign firms to locate in Scotland. 5
(ii) Describe possible disadvantages of this foreign investment to the Scottish economy. 4
- (b) Discuss advantages for UK firms of a depreciation in the value of sterling. 3
- (c) Compare the economic characteristics of a developing economy and an emerging economy. 4
- (d) Describe the roles of
(i) World Trade Organisation 2
(ii) International Monetary Fund. 2

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Section 2 information is adapted from an article in The Independent — May 2018
<https://www.independent.co.uk/news/business/news/nhs-uk-taxes-rise-health-spending-income-tax-vat-2000-a8365756.html>