



National  
Qualifications  
2025

**X822/77/11**

**Economics**

FRIDAY, 2 MAY

9:00 AM – 11:30 AM

**Total marks — 80**

**SECTION 1 — 30 marks**

Attempt ALL questions

**SECTION 2 — 25 marks**

Attempt the question

**SECTION 3 — 25 marks**

Attempt ONE question

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 7 1 1 \*

## SECTION 1 — 30 marks

Read the following source and attempt ALL questions that follow.

### National debt forecast to treble over the next 50 years

According to the Office for Budget Responsibility (OBR), the UK **national debt** is on course to treble over the next 50 years, due to several pressures. These pressures include an ageing population, climate change, and rising geopolitical tensions, said the government's official forecaster in its report.

- 5 The OBR stated: 'Over the next 50 years public spending is projected to rise from 45% to over 60% of GDP, while revenues remain at around 40%. As a result, national debt would rise to 274% of GDP by 2071.' Currently UK national debt is just below 100% of GDP. The OBR report factored into its calculations long-term economic challenges such as the commitment to ban the sale of new petrol and diesel vehicles which use internal combustion engines (ICE) by 2035. They also modelled the
- 10 rate at which the population is due to age, with post war 'baby boomers' entering retirement in large numbers.

- The OBR also said that without extra tax revenues or a return to post-war productivity levels, the public finances were not sustainable over the long term, and 'something has got to give'. The Chancellor, Rachel Reeves, has said her ambition is for the UK to be 'the best place to start, and
- 15 grow a business' as she promised Labour will bring foreign direct investment to Britain.

- Prior to **the Budget** in autumn 2024, the Treasury said there would be 'further difficult decisions on tax and spending'. However, Rachel Reeves had reiterated that she would not raise VAT, national insurance or income tax, as promised in Labour's manifesto. Leading up to the budget statement there was increasing speculation that the government would make changes to Capital
- 20 Gains Tax. The government refused to comment on the future of Inheritance Tax, described by many commentators as Britain's 'most hated tax'.

## Questions

- |  |   |
|--|---|
| 1. Describe what is meant by the following terms:  |   |
| (a) national debt (line 1)   | 1 |
| (b) the Budget (line 16)   | 1 |
| 2. Discuss the possible economic implications of rising national debt.                                     | 5 |
| 3. Describe the possible impacts of an ageing population on an economy.                                    | 5 |
| 4. Discuss the economic implications of a ban on the sale of new petrol and diesel cars on the UK economy. | 5 |
| 5. Discuss the possible advantages and disadvantages of foreign direct investment (FDI) on the UK economy. | 6 |
| 6. Describe key features of Capital Gains Tax (CGT).   | 3 |
| 7. Describe the arguments for and against Inheritance Tax in the UK.                                       | 4 |

[Turn over

## SECTION 2 — 25 marks

Attempt this question

- |        |   |   |
|--------|---|---|
| 8. (a) | Explain, using a diagram, why a firm in monopolistic competition can only make normal profits in the long run.  | 6 |
| (b)    | Describe the measures that the UK uses to prevent firms in imperfectly competitive markets from abusing their dominant market position.   | 6 |
| (c)    | Electricity and heat generation account for over a third of global greenhouse gas emissions, contributing significantly to climate change. Countries are increasingly taking steps to move towards renewable energy generation, such as solar and wind power, to limit this impact. |   |
| (i)    | Explain, with the aid of a diagram, why 'renewable energy generation' may result in positive production externalities.  | 7 |
| (ii)   | Evaluate possible economic measures which could be taken to reduce climate change.  | 6 |

## SECTION 3 — 25 marks

## Attempt ONE question

9. In August 2024, the Governor of the Bank of England, Andrew Bailey, said the decision to cut interest rates was ‘an important moment in time’. Many economists predicted that the bank would continue to make further cuts to interest rates. At the same time, the new Labour government pledged to ‘get Britain building again’ with a guarantee to significantly boost the supply of housing over the next five years. Shortly after this, it was announced that Grangemouth oil refinery would close in 2025.
- (a) Analyse the possible economic consequences of further cuts to interest rates on the UK economy. 8
  - (b) Describe the potential economic impacts of a substantial house building programme on the UK economy. 8
  - (c) Analyse the possible economic consequences of a declining oil and gas industry on the UK economy. 9

OR

10. In August 2024, the Prime Minister, Sir Keir Starmer, warned that the Budget would be ‘painful’ and that those with the ‘broadest shoulders should bear the heavier burden’. Looking to the future, the Prime Minister also said that ‘tough action’ would be required to ‘fix the foundations of the country’ and reduce the economic disparities experienced in certain regions of the UK. This announcement came shortly after the Labour manifesto pledged to renationalise most rail services within five years.
- (a) Discuss the possible advantages and disadvantages of raising the highest rates of income tax. 6
  - (b) Explain the reasons for large regional economic disparities within the UK. 6
  - (c) Evaluate the possible policies that the current UK government could introduce to reduce regional economic disparities. 6
  - (d) Describe the possible economic costs and benefits of renationalising key industries. 7

[Turn over

OR

11. In August 2024, the Chancellor, Rachel Reeves, defended her decision to award NHS junior doctors and many other public sector workers an above-inflation pay rise by arguing that further strike action would be 'very damaging'. This came at a time when official statistics showed that unemployment remained low in the UK. Furthermore, the Treasury announced that no new coins are being ordered from The Royal Mint in 2024, signalling the declining use of cash.

- |  |   |
|--|---|
| (a) Discuss the possible economic costs and benefits of increased spending on the NHS.                 | 8 |
| (b) Discuss the economic implications of real wage growth on the UK economy.                           | 6 |
| (c) Explain the possible advantages and disadvantages of low rates of unemployment for the UK economy. | 6 |
| (d) Describe the potential economic benefits of a cashless economy.                                    | 5 |

OR

12. Throughout the autumn of 2024, various media outlets reported that China was using Mexico as a 'backdoor to the US', following the United States-Mexico-Canada Agreement (USMCA). This was being reported when the US economy was predicted to experience a slowdown in economic growth in 2024. This also came at a time when Bill Gates called for developed economies to invest in developing economies, arguing that giving foreign aid helps American companies.

- |   |    |
|---|----|
| (a) Describe the key features of the USMCA.   | 5  |
| (b) Describe the reasons why the rate of economic growth in the US was expected to slow down in 2024.                       | 6  |
| (c) Discuss whether trade, rather than aid, is a more effective means of promoting economic growth in developing economies. | 10 |
| (d) Explain why some economists believe that giving foreign aid helps developed economies.                                  | 4  |

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