AH National Qualifications 2026

X822/77/11 Economics

WEDNESDAY, 29 APRIL

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.

You must leave your answer booklet on your desk; if you do not, you could lose all the marks for this paper.

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SECTION 1 — 30 marks

Read the following source and attempt ALL questions that follow.

Reeves rejects claims of £50bn 'black hole' in finances

The Chancellor, Rachel Reeves has rejected forecasts of a £50bn 'black hole' in the public finances, despite higher borrowing costs and expected tax rises piling pressure on the Chancellor ahead of the autumn Budget. An independent think tank, the National Institute of Economic and Social Research (NIESR), estimated that the Chancellor would need to plug a £50bn gap in the public finances, but the Chancellor disputes that figure.

Ahead of the election in 2024, Labour pledged not to increase taxes on 'working people', which included VAT, National Insurance (NI) and income tax. However, at the Budget last year the Chancellor increased the amount of National Insurance that employers have to pay, and at the same time increased the National Living Wage, both of which led to a backlash from many businesses. Reversals on proposed welfare cuts and winter fuel payments have also put pressure on the Chancellor to find alternative revenue streams to help reduce further budget deficits. It has led to speculation that the Chancellor is considering tax rises on property. Rachel Reeves responded, 'it's up to me to decide what is in the Budget, and I will do that in a careful way, getting the balance right between making sure that we've got enough money to fund our public services, particularly our National Health Service, whilst also ensuring that we can bring **economic growth** and investment to Britain'.

The cost of long-term government borrowing has also risen to a 27-year high, fuelling further concerns that the Chancellor will not be able to have a **current spending** surplus by 2029–30, as promised. 'There are global pressures on borrowing costs. You can see that around the world. We're not immune to those,' Reeves said.

Some commentators have argued that the UK's financial position is so weak that it will need an intervention from the International Monetary Fund (IMF), but Reeves said 'serious economists' don't accept that idea. However, Leader of the Opposition, Kemi Badenoch, has said she is 'really worried' that the UK might be forced to contact the IMF for assistance. Asked what made her think the UK is heading towards this, Badenoch said: 'A lot of the indicators are pointing in that direction.'

MARKS

Questions

1. Describe what is meant by the following terms:

(a) economic growth (line 16) **2**

(b) current spending (line 18). **1**

2. Explain measures the UK government could undertake to encourage economic growth. **6**

3. Discuss the consequences of further increases to the National Living Wage on the economy. **3**

4. Draw a diagram to show the possible effects of a rise in the National Living Wage on the labour market. **2**

5. Evaluate the possible economic implications for the UK economy of running a persistently high budget deficit. **5**

6. Discuss the possible economic implications of raising Stamp Duty Land Tax (SDLT) on the economy. **4**

7. Explain the possible economic implications of increased spending on the National Health Service (NHS). **4**

8. Describe the role of the International Monetary Fund (IMF). **3**

[Turn over

MARKS

SECTION 2 — 25 marks

Attempt this question

9. (a) Describe, using a diagram, why firms in an oligopoly market are often considered to be interdependent. **7**

(b) Describe the consequences of price wars for firms and consumers. **5**

(c) The UK government recently decided to offer the chickenpox vaccine to all young children through the NHS childhood vaccination scheme. This comes at a time when vaccine uptake continues to be below the World Health Organisation's 95% target rate in many developed countries.

(i) Explain, using a diagram, why vaccinations may lead to positive externalities in consumption. **7**

(ii) Discuss possible economic measures that governments could use to increase vaccination uptake. **6**

MARKS

SECTION 3 — 25 marks

Attempt ONE question

10. Throughout 2025, the Chancellor, Rachel Reeves, reiterated her goal to 'get Britain working' by incentivising some of those not working to rejoin the labour force. However, data throughout the year was showing that recent graduates were finding it very difficult to find permanent employment and are having to rely on temporary or 'gig' work. This came at a time when Lord Rose, the former boss of Marks and Spencer, argued that working from home is creating a generation who are 'not doing proper work' and that home working is part of the UK economy's productivity problem.

(a) Describe the economic costs of unemployment to the individual and to the UK government. **8**

(b) Discuss possible advantages and disadvantages of the 'gig' economy. **8**

(c) Discuss the measures which the UK government could introduce to improve the country's productivity. **9**

OR

11. On 18 September 2025, the Bank of England voted to hold interest rates at a time when the UK economy was experiencing very little growth. After the Monetary Policy Committee meeting, the Bank said it expected inflation to go up before falling in 2026. At a similar time, the Bank was also discussing the r-star (r*) rate of interest and its relevance to monetary policy, as well as setting out the future direction of the application of artificial intelligence (AI) internally at the Bank.

(a) Discuss the view that monetary policy should target growth rather than inflation. **4**

(b) Explain the economic implications of rising inflation on the UK economy. **9**

(c) Describe the key concepts of r-star (r*) in relation to monetary policy. **4**

(d) Describe the impact that new technologies may have on the UK economy. **8**

[Turn over

MARKS

OR

12. Throughout the summer of 2025 there was growing criticism of the Office for Budget Responsibility (OBR), with some MPs claiming that the organisation was having too much influence on government policy. This came at a time when Heathrow Airport's details for its plan to expand and modernise the airport were met with a mixed reaction from residents. Soon after this, in September 2025, the First Minister, John Swinney, set out the latest plan for a Scottish independence referendum.

(a) Describe the role of the Office for Budget Responsibility (OBR). **7**

(b) Discuss the economic arguments for and against the expansion of Heathrow airport. **8**

(c) Describe the economic arguments for and against Scottish independence. **10**

OR

13. Since taking office on 20 January 2025, President Donald Trump has introduced wide-ranging tariffs on goods imported into the US. This came at a time when the Bundesbank President, Joachim Nagel, warned that Germany's economy could potentially face further stagnation. Throughout the year, economists and policy makers were also discussing the impact of continued migration to OECD countries, likely driven by demographic and economic factors, humanitarian crises and climate change impacts.

(a) Describe the economic arguments for and against the use of tariffs. **8**

(b) Describe the reasons for the downturn in Germany's economy in recent years. **8**

(c) Analyse the economic implications of global migration from developing economies to developed economies. **9**

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