



National
Qualifications
2022

X822/76/11

Economics

FRIDAY, 27 MAY
12:00 NOON – 2:30 PM

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.



SECTION 1 — 30 marks

Read the following source and attempt ALL questions that follow.

REPORT SUGGESTS SUGAR AND SALT SHOULD BE TAXED

A report has recommended a ‘fat tax’ on unhealthy, demerit food products to persuade parents to buy more fresh fruit and vegetables. This is part of the strategy to meet the UK Government’s target of reducing the childhood obesity rate by half this decade. Proposals include a tax on the sugar and salt used in the production of high-calorie, price inelastic food products, such as pizzas, cakes and chocolate, along with doctors prescribing vegetables to encourage healthy eating.

These considerations come months after a decision was made by the UK Government to ban TV advertising of junk food before 9 pm, to reduce the impact that these adverts have on children. The ban will come into force at the start of 2023 along with a ban on online advertising of food considered to be unhealthy.

A tax on sugary drinks, introduced in April 2018, was met with criticism from campaign group the Taxpayers’ Alliance, who said it was deeply concerning that the government introduced this **regressive tax**.

In Scotland, the Scottish Government’s document, A Healthier Future, pushes for more severe restrictions on unhealthy food, as well as an extension to its tax-adjusting powers to make healthy food cheaper.

Questions	MARKS
1. (a) Describe what is meant by the term ‘regressive tax’.	2
(b) Draw a diagram to show how an increase in the price of ‘price inelastic food products’ would affect total revenue.	3
(c) The over-provision of demerit goods results in market failure. Explain 3 other types of market failure.	3
(d) Other than taxation matters, describe economic powers which have been devolved to the Scottish Parliament by the UK Government.	3
(e) Draw a diagram to show the effect on the market for unhealthy food as a result of the introduction of a ‘fat tax’, combined with increased ‘restrictions on advertising unhealthy food’.	4

Read the following source and attempt ALL questions that follow.

HONDA WORKERS MADE REDUNDANT AFTER SWINDON FACTORY CLOSES

The multinational car manufacturer Honda has closed its Swindon factory with an immediate loss of 3,000 jobs, and the potential for many more to go. Another 1,800 jobs will be lost at two local firms that supplied the manufacturing plant, and there are fears that a **negative multiplier effect** will impact hundreds more jobs in the Swindon area of England. Unions have called for more help from the UK Government in Westminster to assist the redundant workers find new jobs.

The Honda factory first made the Accord, then the Jazz and CRV models, but it was the Civic that became Swindon's main product, exported in large quantities to the rest of Europe. By 2019 the factory was one of Honda's most productive manufacturing plants, however sales of its cars were falling across Europe but growing in America and Japan.

Honda executives denied their decision to close the factory had anything to do with Brexit, but it came at a time when the UK Government was in deadlock over negotiations with the EU regarding the UK's departure. As the outcome of the negotiations were unknown, companies in the UK faced potential protectionist measures, such as 10% tariffs on exports to the EU.

Questions

MARKS

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| 2. (a) Describe what is meant by a 'negative multiplier effect'. | 2 |
| (b) Explain supply side policies which could be used to help those who lost their jobs at Honda access alternative employment. | 4 |
| (c) Describe the possible impact of less cars being produced in England on the UK Balance of Payments current account. | 2 |
| (d) Describe disadvantages to a country of hosting a multinational, other than a loss of jobs if it leaves. | 4 |
| (e) Describe trade barriers, other than tariffs, which could be imposed. | 3 |

[Turn over

SECTION 2 — 60 marks

Attempt ALL questions

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| 3. | (a) | Distinguish, using examples, between economic goods and free goods. | 3 |
| | (b) | Explain opportunity cost, using a PPC diagram. | 3 |
| | (c) | (i) Describe, using an example, what is meant by joint demand. | 2 |
| | | (ii) Describe, using an example, what is meant by joint supply. | 2 |
| | (d) | Explain, using examples, the reasons for some demand curves not being downward sloping. | 5 |
| | (e) | Describe, using a diagram, the relationship between marginal cost and average total cost. | 5 |
| 4. | (a) | Describe 2 macroeconomic aims of the UK government. | 2 |
| | (b) | Describe the method of calculating the CPI. | 4 |
| | (c) | Explain the impact of an increase in interest rates on individuals and firms. | 5 |
| | (d) | Discuss the costs and benefits of economic growth. | 6 |
| | (e) | Describe uses of national income statistics. | 3 |
| 5. | (a) | (i) Describe factors which decrease the exchange rate for the pound sterling. | 4 |
| | | (ii) Explain advantages to UK firms of a weak exchange rate for sterling. | 3 |
| | (b) | Describe the Capital/Financial Account of the Balance of Payments. | 2 |
| | (c) | Describe the economic characteristics of developing economies. | 4 |
| | (d) | Explain the ways in which developed economies can assist a developing economy to achieve economic growth. | 4 |
| | (e) | Explain the impacts of emerging economies on UK firms. | 3 |

[END OF QUESTION PAPER]