



National
Qualifications
RESOURCE

X822/76/01

Economics

Marking Instructions

Please note that these marking instructions have not been standardised based on candidate responses. You may therefore need to agree within your centre how to consistently mark an item if a candidate response is not covered by the marking instructions.

General marking principles for 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 up to the total mark allocation for the question. These should be key points; they do not need to be in any particular order. 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 accurate relevant point of knowledge
- award a second mark for any point that is developed from the point of knowledge.

- (d) For **explain** questions, candidates must make a number of points that relate cause and effect and/or make the relationships between things clear, for example by showing connections between a process/situation. These should be key reasons and may include theoretical concepts. There is no need to prioritise the reasons. Candidates may provide a number of straightforward reasons or a smaller number of developed reasons, or a combination of these.

Up to the total mark allocation for this question

- award **1 mark** for each accurate relevant point of reason
- award a second mark for any other point that is developed from the same reason.

- (e) For **discuss** questions, candidates must make a number of points that communicate issues, ideas, or information about a given topic or context that will make a case for and/or against. They 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 any accurate point of knowledge that is clearly relevant
- award a second mark for any other point that is developed from the point of knowledge.

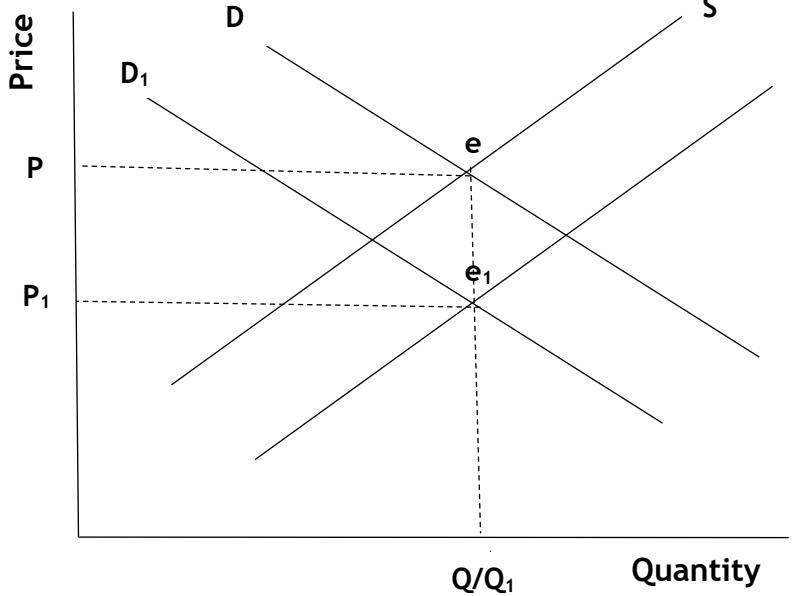
Marking instructions for each question

SECTION 1

| Question | | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|-----|--|----------|--|
| 1. | (a) | (i) | <ul style="list-style-type: none"> a trade war is when countries impose trade restrictions/ protectionism/retaliatory action on each other (1) <p>From the source:</p> <ul style="list-style-type: none"> there is a trade dispute between EU and America (DEV) (1) the USA has imposed tariffs on Scotch whisky (DEV) (1) the US imposed tariffs ‘of 25% on Scotch malt whisky’ (DEV) (1) the EU pays subsidies to Airbus/the US pays subsidies to Boeing (DEV) (1) | 2 | <p>Candidates must indicate that more than one country is involved to gain full marks.</p> <p>Award 1 mark for a valid description.</p> <p>Award 1 mark for a valid development.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|------|---|----------|--|
| | (ii) | <ul style="list-style-type: none"> • to protect infant industries (ID) to give them time to grow/experience economies of scale (EXP) (1) • to prevent dumping (ID) so foreign firms cannot sell goods cheaply and destroy local markets (EXP) (1) • to prevent a rise in unemployment (ID) as consumers are encouraged to buy domestic goods (EXP) (1) • to prevent a dependence on imports (ID) which causes a deficit in the Balance of Payments (EXP) (1) • for strategic reasons (ID) to protect farming and defence industries in case of war (EXP) (1) | 3 | <p>Candidates must explain at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>DNA political retaliation.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|--|----------|--|
| | (b) | <ul style="list-style-type: none"> UK firms get fewer units of foreign currency for every pound (ID) making imports more expensive/raw material import costs higher (EXP) (1) meaning UK firms may increase prices/be less competitive (DEV) (1) resulting in lower profit (DEV) (1) foreign consumers get more pounds for a unit of their currency (ID) so UK exports become cheaper to buy (EXP) (1). UK export firms may gain customers/sales (DEV) (1) and may become more profitable (DEV) (1) or expand their operations (DEV) (1). They may increase their prices (DEV) (1) and this may result in increased profits (DEV) (1) foreign tourists get more pounds for a unit of their currency (ID) so visits to the UK/visiting attractions in the UK become cheaper (EXP) (1). UK hospitality firms may gain customers/sales (DEV) (1) and may become more profitable (DEV) (1) or expand their operations (DEV) (1) and this may result in increased profits (DEV) (1). As a result of COVID-19, foreign tourists may not want to come to the UK despite the good value for money that the weak exchange rates brings (DEV) (1) | 3 | <p>Award 1 mark for a valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Watch for flips.</p> |

| Question | Expected response(s) | Max mark | Additional guidance |
|----------|---|----------|--|
| (c) |  <p>The diagram shows a coordinate system with 'Price' on the vertical axis and 'Quantity' on the horizontal axis. There are two downward-sloping demand curves: the original demand curve 'D' and a new demand curve 'D₁' shifted to the left. There are two upward-sloping supply curves: the original supply curve 'S' and a new supply curve 'S₁' shifted to the right. The initial equilibrium point 'e' is at the intersection of 'D' and 'S', with price 'P' and quantity 'Q'. The new equilibrium point 'e₁' is at the intersection of 'D₁' and 'S₁', with price 'P₁' and quantity 'Q₁'. Dashed lines connect these points to their respective values on the axes.</p> <ul style="list-style-type: none"> • correctly labelled diagram (price, quantity, D, S, P, Q) (1) • D₁ – demand curve shifting to the left (decreasing demand due to suspension of air travel) (1) • S₁ – supply curve shifting to the right (subsidy for aircraft) (1) • new equilibrium quantity indicated (either P₁ and Q₁, or e₁) (1) | 4 | <p>Award 4 marks for the diagram.</p> <p>Accept a rise or fall in quantity, depending on the angle of the demand and supply curves and on how far apart the candidate draws the shifts in demand and supply.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|--|----------|--|
| | (d) | <ul style="list-style-type: none"> • Purchasing economies – when discounts can be negotiated due to size of order/bulk purchases can be made (1) • Management economies – by employing specialist staff (such as accountants) (1) • Technical economies – when size of operation permits increased use of large-scale machinery/equipment (1) • Marketing economies – when able to spread the cost of promotion/advertising over a greater number of units (1) • Financial economies – when banks view a large firm as more credit-worthy/provide lower rates of interest (1) • Risk-bearing economies – diversifying into a range of countries/markets/goods/services (1) • R&D economies – where large firms can afford costly research and enable innovation (1) | 3 | <p>Candidates must describe 3 economies of scale to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Candidates do not need to name the economies of scale in order to gain full marks. However, if labels are given, they must match the description.</p> <p>DNA external economies of scale.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|--|----------|--|
| 2. | (a) | <ul style="list-style-type: none"> • ‘real incomes’ are incomes adjusted for the effects of inflation/incomes with inflation effects removed (1) | 1 | Award 1 mark for a valid definition. |
| | (b) | <p>Negative effects</p> <ul style="list-style-type: none"> • less incomes being earned (ID) leads to lower demand for goods and services (EXP) (1) leading to decreased sales/lower profits (DEV) (1) which may lead to decreased business confidence (DEV) (1) leading to a negative multiplier effect (DEV) (1) <p>Positive effects</p> <ul style="list-style-type: none"> • increased pool of available labour (ID) giving firms more candidates to choose from/firms can recruit the best staff from the pool (EXP) (1) they may be able to offer lower levels of worker packages/salaries/perks (DEV) (1) • downward pressure on wages/salaries (ID) decreasing cost of production (EXP) (1) which may lead to higher profits (DEV) (1) • lower risk of industrial/strike action (ID) as there is more fear of job losses (EXP) (1) | 3 | <p>Candidates must explain at least 2 effects to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p> <p>Candidates must explain effect on UK firms to gain marks.</p> <p>Accept all positive or all negative effects.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|---|----------|---|
| | (c) | <p>Boom/peak</p> <ul style="list-style-type: none"> • GDP above the target/trend rate/highest level (1) • highest levels of consumer spending (1) • firms have highest confidence/profits/investment (1) • unemployment is lowest/full employment (1) <p>Slump/trough</p> <ul style="list-style-type: none"> • GDP zero/negligible/prolonged period of low GDP (1) • lowest spending (1) • firms have lowest levels of confidence/profits/investment/many business failures (1) • unemployment highest (1) <p>Recovery</p> <ul style="list-style-type: none"> • GDP rising/turnaround in GDP/positive GDP (1) • consumers begin to spend more/spending rising (1) • firms are more confident/start to invest again/profits rising (1) • employment starts to rise/rising (1) <p>Recession</p> <ul style="list-style-type: none"> • two consecutive quarters of negative GDP/economic growth (1) • consumer spending falling (1) • firms' profits falling/firms cut back on investment (1) • unemployment rising (1) | 4 | <p>Candidates must describe at least 2 stages of the business cycle to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Candidates do not need to name the stages of the business cycle to gain full marks. However, if labels are given, they must match the description.</p> <p>Watch for flips and repetition.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|---|----------|--|
| | (d) | <ul style="list-style-type: none"> • the non-provision of public goods (eg street lighting)/public goods are products private firms would not produce, as firms are not able to earn profits from providing them/free rider problem/public goods are products which are non-excludable and non-rival (1) • the under-provision of merit goods (eg health, education)/merit goods are products/services which, if left to free market, many people would not be able to access as they could not afford them (1) • the over-provision of de-merit goods (eg alcohol)/de-merit goods are products which have high social costs which the private sector would not pay for (1) • monopoly where one firm may dominate a market and that firm can take advantage of consumers in the market (1) • over-production or consumption of goods and services with negative externalities (eg pollution, environmental damage)/negative externalities are costs which private firms do not account for in production/the spill-over effects imposed on a third party (1) • under-production or consumption of goods and services with positive externalities (eg unprofitable bus routes)/these are products which benefit society but may be underprovided by market (eg vaccines)/these products won't be provided unless firms receive subsidies (1) • private sector business practices which result in business failure (eg banks) (1) • immobility of factors of production leading to unemployed resources (1) • information failure may lead to sub-optimal choices (eg lack of awareness of salt levels in food) (1) • booms and slumps in a business cycle leading to unemployed resources (1) | 4 | <p>Candidates must describe 4 types of market failure to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>DNA income inequality.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|---|----------|--|
| | (e) | <ul style="list-style-type: none"> fewer flows between firms and households in the circular flow of income/within the economy (1) lower demand for factors of production leading to lower incomes (1) leading to lower consumer spending (DEV) (1). As this is a reduction in an injection (DEV) (1) this will result in the equilibrium level of national income decreasing (DEV) (1) so negative multiplier may be created (DEV) (1) <p>OR</p> <ul style="list-style-type: none"> decreased capital spending may lead to more labour being employed (1) this may lead to higher consumer spending (DEV) (1), resulting in the equilibrium level of national income increasing (DEV) (1) so positive multiplier may be created (DEV) (1) | 3 | <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>Do not award marks for circular flow of income diagram.</p> <p>Candidates must follow through with the 'lower consumer spending' or the 'higher consumer spending' line of argument, rather than mix them.</p> |

SECTION 2

| Question | | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|-----|---|----------|---|
| 3. | (a) | | <ul style="list-style-type: none"> • there are limited resources but unlimited wants (1) • resources, for example oil, are limited as there are only finite supplies (DEV) (1) • wants for goods and services are unlimited because people are inherently greedy (1) • advertisers encourage consumption of new versions of products (1) • technological change/advancement means people want newer version (1) • it is a universal problem (1) • it cannot be eradicated but can be managed (1) • it is a relative concept, ie it only exists when we have increased wants (1) | 3 | <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Do not award choice or opportunity cost.</p> |
| | (b) | (i) | <p>firms</p> <ul style="list-style-type: none"> • firms have limited sales revenue (ID) so cannot produce all the goods/services they want to (EXP) (1) • firms have to make choices about how to allocate resources to maximise their profits (DEV) (1) • example of an opportunity cost for firms (DEV) (1) | 2 | <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------------|---------|--|---------------------|--|----------|--|-----------------------------|--|-------------------------------|-----|-------------------------------|--|---------------------------------|-----|--------------|--|--------------|-----|----------------------|--|----------------|-----|--------------------------------|--|------------------------|-----|----------------|--|------------------|-----|--------------------------------------|--|---|-----|---------------------------------------|--|--------------------------------|-----|---|--|
| | (ii) | <p>governments</p> <ul style="list-style-type: none"> governments have limited tax revenue (ID) so cannot provide all the services they want to (EXP) (1) governments have to make choices about how to spend revenue to maximise social welfare (DEV) (1) example of an opportunity cost for governments (DEV) (1) | 2 | <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | (c) | <table border="1"> <thead> <tr> <th>Perfect competition</th> <th>whereas</th> <th>Monopoly</th> <th></th> </tr> </thead> <tbody> <tr> <td>large number of small firms</td> <td></td> <td>one firm dominates the market</td> <td>(1)</td> </tr> <tr> <td>no barriers to entry and exit</td> <td></td> <td>high barriers to entry and exit</td> <td>(1)</td> </tr> <tr> <td>price takers</td> <td></td> <td>price makers</td> <td>(1)</td> </tr> <tr> <td>homogeneous products</td> <td></td> <td>unique product</td> <td>(1)</td> </tr> <tr> <td>perfectly elastic demand curve</td> <td></td> <td>inelastic demand curve</td> <td>(1)</td> </tr> <tr> <td>normal profits</td> <td></td> <td>abnormal profits</td> <td>(1)</td> </tr> <tr> <td>productive and allocative efficiency</td> <td></td> <td>productive and allocatively inefficient</td> <td>(1)</td> </tr> <tr> <td>no opportunity for economies of scale</td> <td></td> <td>can exploit economies of scale</td> <td>(1)</td> </tr> </tbody> </table> | Perfect competition | whereas | Monopoly | | large number of small firms | | one firm dominates the market | (1) | no barriers to entry and exit | | high barriers to entry and exit | (1) | price takers | | price makers | (1) | homogeneous products | | unique product | (1) | perfectly elastic demand curve | | inelastic demand curve | (1) | normal profits | | abnormal profits | (1) | productive and allocative efficiency | | productive and allocatively inefficient | (1) | no opportunity for economies of scale | | can exploit economies of scale | (1) | 4 | <p>Award 1 mark for each valid comparison.</p> |
| Perfect competition | whereas | Monopoly | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| large number of small firms | | one firm dominates the market | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| no barriers to entry and exit | | high barriers to entry and exit | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| price takers | | price makers | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| homogeneous products | | unique product | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| perfectly elastic demand curve | | inelastic demand curve | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| normal profits | | abnormal profits | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| productive and allocative efficiency | | productive and allocatively inefficient | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| no opportunity for economies of scale | | can exploit economies of scale | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|---|----------|--|
| (d) | (i) | <p>price</p> <p>revenue gained</p> <p>revenue lost</p> <p>p_1</p> <p>p</p> <p>q_1</p> <p>q</p> <p>quantity</p> <p>D</p> <p>Diagram:</p> <ul style="list-style-type: none"> clearly labelled diagram (price, quantity, p, p_1, q, q_1, D) (1) price elastic demand curve (1) clear indication of revenue gained/lost (1) <p>Explanation:</p> <ul style="list-style-type: none"> the revenue gained due to the price increase (ID) does not compensate for the loss in revenue due to the fall in quantity demanded (EXP) (1) price elastic means a change in price will lead to a more than proportionate change in quantity demanded (DEV) (1) | 4 | <p>Award up to 3 marks for a diagram.</p> <p>Award up to 2 marks for an explanation.</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 |
|----------|------|---|----------|---|
| | (ii) | <ul style="list-style-type: none"> tax increase may cause a less than proportionate fall in demand for price inelastic goods, leading to higher taxation revenue (1) for example if government increased tax on petrol, consumers would still buy the product, and therefore government revenue would rise (DEV) (1) <p>OR</p> <ul style="list-style-type: none"> tax increase may cause a more than proportionate fall in demand for price elastic goods, leading to lower taxation revenue (1) it may be used to justify the use of subsidies to boost consumption of healthy goods, if demand is elastic (1) | 2 | <p>Award 1 mark for a valid description.</p> <p>Award 1 mark for a valid development.</p> <p>Candidates must follow through with the 'elastic' or 'inelastic' line of argument, rather than mix them.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|---|----------|---|
| | (e) | <ul style="list-style-type: none"> • selling price/average revenue is greater than AVC (1) • selling price minus variable costs helps contribute towards paying fixed costs (1) • firm may predict that downturn is temporary/profitability will recover (1) because, in the long run, there is the hope that average revenue will equal average costs (DEV) (1) • fulfilling existing orders/keeping customer loyalty (1) • firm may have large reserves it can use to cover losses (1) • the cost of shutting down and restarting capital equipment may be high (1) • firm wants to keep its workforce/cost of replacing experienced or trained staff is high (1) • can lose investor confidence by halting production/moth-balling factories (1) • may want to keep a presence in certain markets for strategic purposes (1) • in reality it may take a firm time to realise they are making an operating loss (1) • government decision-making may limit the number of customers during Covid-19 crisis, but normal operating practices should resume later (1) • restrictions on staffing may limit how many customers can be served in the hospitality sector (1) • loss of consumer confidence due to increased risk of exposure to virus (1) • business may be anticipating government financial support to help make normal profit in the future (1) | 3 | <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 a valid development.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|--|----------|---|
| 4. | (a) | <p>Inflation</p> <ul style="list-style-type: none"> increased levels of consumer spending/demand (ID) leading to higher prices leading to demand-pull inflation (EXP) (1). This may drive up commodity prices leading to cost-push inflation (DEV) (1) <p>Balance of payments</p> <ul style="list-style-type: none"> increased levels of consumer/business spending/prosperity (ID) would lead to spending more on imports therefore increasing the deficit in BoP (EXP) (1) <p>Environmental aims</p> <ul style="list-style-type: none"> increased levels of consumer/business spending (ID) leading to more plastic/transport/pollution/congestion which would worsen CO2 emissions/missing CO2 targets (EXP) (1) <p>National debt</p> <ul style="list-style-type: none"> increase government spending/lower taxation revenue/running a budget deficit (ID) which has to be financed through increase in national debt (EXP) (1) <p>Income inequality</p> <ul style="list-style-type: none"> increased levels of consumer/business spending/prosperity (ID) increasing asset and land prices which are usually owned by smaller proportion of population/wealthier individuals (EXP) (1) | 4 | <p>Candidates must explain at least 2 conflicts to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Do not accept low unemployment as a government aim, as it does not conflict with maintaining positive economic growth.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|--|----------|--|
| | (b) | <ul style="list-style-type: none"> • to encourage more people to enter the labour market (1) this will lead to reduced unemployment (DEV) (1) • to increase all taxes collected from all age ranges, not just those of working age (1) • to solve market failure/to reduce demand for demerit/harmful goods (1) reducing cost of health services in the long run (DEV) (1) • less direct tax gives individuals more choice (1) allowing them to make their own decisions on which taxes to pay/what good/service to purchase (DEV) (1) • some indirect taxes are not avoidable (1) therefore they will continue to raise revenue even if the tax goes up (DEV) (1) • some indirect taxes are difficult to evade as consumers cannot cheat and not pay for them (1) • cheaper to collect (1) as they are collected by business on behalf of the government (DEV) (1) | 3 | <p>Candidates must describe at least 2 reasons for 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 |
|----------|-----|--|----------|--|
| | (c) | <p>Monetary policy</p> <ul style="list-style-type: none"> interest rates can be increased (ID) making borrowing less attractive/savings more attractive (EXP) (1), increasing the MPS/decreasing MPC (DEV) (1). Therefore consumer spending falls which results in businesses having to reduce prices to attract customers (DEV) (1) <p>Fiscal policy</p> <ul style="list-style-type: none"> increased income tax (ID) leading to lower disposable income/spending (EXP) (1), which takes the pressure off demand-pull inflation as prices are pushed downwards (DEV) (1) decreased government spending (ID) leading to lower public sector employment/wage (EXP) (1) decrease VAT (ID) to decrease cost of production/prices (EXP) (1) <p>Supply side policy</p> <ul style="list-style-type: none"> trade union power could be decreased (ID) leading to lower wage growth (EXP) (1), which could lead to firms' costs being reduced (DEV) (1) increase use of capital goods (ID) leading to productivity improvements (EXP) (1) lowering per unit cost (DEV) (1) improved infrastructure (ID) leading to greater efficiency (EXP) (1) lowering business cost of production (DEV) (1) | 6 | <p>Candidates must explain at least 2 policies to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Candidates do not need to name the economic policies to gain full marks. However, if labels are given they must match the description.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|--|----------|---|
| | (d) | <p>The Scottish Government can:</p> <ul style="list-style-type: none"> • vary income tax (1) by plus or minus 3 pence in the pound (1) • collect Land and Buildings Transaction Tax replacing stamp duty (1) • control Scottish Landfill Tax to protect the environment (1) • control Air Passenger Duty for passengers flying out of UK (1) • determine the price of alcohol (1) by setting minimum prices per unit of alcohol/not allowing happy hour/bulk buying (DEV) (1) • make budgetary decisions on health (1) for example free prescriptions (DEV) (1) • make budgetary decisions on education (1) for example no higher education fees (DEV) (1) • Revenue Scotland is responsible for the collection of the new taxes (DEV) (1) • borrow to support capital spending (1) up to a limit of £3 billion (DEV) (1) with an annual cap of £450 million per year (DEV) (1) | 4 | <p>Candidates must describe at least 2 economic powers 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 |
|----------|-----|--|----------|--|
| | (e) | <ul style="list-style-type: none"> in a closed economy, equilibrium is income (Y) = expenditure (E) = output (O) (1) in an open economy where leakages/withdrawals = injections (1). Leakages are savings, tax and imports (DEV) (1). Injections are investment, government spending and exports (DEV) (1) | 3 | <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each development.</p> <p>Award 3 marks for a circular flow diagram which shows injections and leakages being equal.</p> <p>All 3 leakages/withdrawals required for 1 mark.</p> <p>All 3 injections required for 1 mark.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|--|----------|---|
| 5. | (a) | <ul style="list-style-type: none"> the MNC provides job opportunities (1) which will reduce unemployment leading to greater economic growth (DEV) (1) creates additional tax revenue through additional economic activity (1) this will increase the fiscal health of the UK government and enable more public spending (DEV) (1) increases economic growth (1) the MNC will sell its goods abroad/increases exports for the UK (1). This will improve its balance of trade figures and improve the economic performance of the UK economy (DEV) (1) increased productivity by use of new technology in MNC (1) and other organisations can benefit from technology transfer (DEV) (1). It gives workers more opportunity to improve their skills for the future (DEV) (1) MNCs may invest in infrastructures such as new roads (1) which will benefit the economy as a whole through increased economic growth/output (DEV) (1) | 4 | <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> |
| | (b) | <ul style="list-style-type: none"> nearer to their market (1) less complex transport links (1) less political uncertainty (1) nearer to suppliers (1) in the Eurozone (1) potential delays at borders/customs (1) | 3 | <p>Candidates must suggest 3 reasons to gain full marks.</p> <p>Award 1 mark for each valid suggestion.</p> |

| Question | Expected response(s) | Max mark | Additional guidance |
|----------|---|----------|---|
| (c) | <p>Absolute advantage</p> <ul style="list-style-type: none"> • this is gained when a country can produce more of a product than another country (1) • this may be because of climatic advantages/skilled labour/technology (DEV) (1) • for example, China has a large low cost labour force giving it an absolute advantage in textile production (DEV) (1) • any country with an absolute advantage should specialise and trade (DEV) (1). This will lead to increased world output and improved living standards (DEV) (1) <p>Comparative advantage</p> <ul style="list-style-type: none"> • this is gained when a country which has an absolute advantage in no area specialises in the area where its disadvantage is least/in which it is 'least-worst' (1) • ie where the opportunity cost of production is at its lowest (DEV) (1) • this shows that even if a country is less efficient at producing all goods and services it should still specialise and trade (DEV) (1) • for example, if 2 goods are traded between country A and country B - and country A can produce TVs 10 times better than country B and produce cars 3 times better than country B (1) then country A should specialise in TV production and country B should specialise in cars (DEV) (1) | 6 | <p>Candidates must describe both absolute advantage and comparative advantage 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 |
|----------|-----|---|----------|--|
| | (d) | <ul style="list-style-type: none"> • trade in goods, which is the value of exports minus the value of imports of goods (1) this is usually in deficit in the UK (DEV) (1) • trade in services, which is the value of exports minus the value of imports of services (1) this is usually in surplus in the UK (DEV) (1) • investment income/net primary income, for example interest/profits/dividends (1) • transfers/net secondary income, for example, overseas development aid (1) | 3 | <p>Candidates must describe at least 2 components 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 |
|----------|------|--|----------|--|
| (e) | (i) | <ul style="list-style-type: none"> • ensures the safety and soundness of the banking system in the Eurozone (1) by: • administering Eurozone monetary policy (DEV) (1) • setting interest rates in the Eurozone (DEV) (1) • attempting to control inflation within the Eurozone (DEV) (1) • controlling quantitative easing for the Eurozone (DEV) (1) • manages the Eurozone’s foreign currency reserves ((DEV) 1) • ensuring that Eurozone’s financial markets and institutions are well supervised by national authorities (DEV) (1) • authorising the production of Eurozone bank notes (DEV) (1) • being the lender of last resort for the Eurozone (DEV) (1) | 2 | <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> |
| | (ii) | <ul style="list-style-type: none"> • encourages free trade (1) by reducing tariffs and non-tariff barriers (DEV) (1) • regulates world trade (1) • mediates in trade disputes (1) • enforces members’ adherence to agreements/can impose penalties (1) | 2 | <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> |

[END OF MARKING INSTRUCTIONS]