H

National Qualifications 2024

X822/76/11   **Economics**

WEDNESDAY, 29 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.

A/HTP

SECTION 1 — 30 marks

Read the following source and attempt ALL questions that follow.

UK HEADS FOR WORST GROWTH IN G7 IN A FRAGILE WORLD ECONOMY

The International Monetary Fund (IMF) has warned that the global economy is 'quite fragile' and is entering a concerning phase during which global economic growth remains low by historical standards. According to the IMF, the global economy is set to grow at roughly 3% annually over the next five years — the slowest rate since 1990.

The IMF also predicts that the UK's GDP will grow by just 1% in 2024, the lowest growth rate of the G7 countries. The UK's poor performance is attributed to a variety of factors, including the country's heavy dependence on natural gas for heating and electricity, which has made Britain more vulnerable to increases in the cost of fossil fuel. However, despite rising costs, many firms have chosen to continue to operate whilst making losses in the short run.

Many economists agree that the shortage of labour in the UK means the government must continue to reform labour markets so that more people return to work. There is a concern about low productivity and the ageing population (when the percentage of the population aged over 65 increases) and their impact on the economy. It is recognised that older people affect **inflation**, as they tend to spend less in general.

MARKS

Questions

			MARKS
1.	(a)	Define the term inflation.	**1**
	(b)	Describe advantages of economic growth.	**3**
	(c)	Explain the factors which make the demand for natural gas price inelastic.	**2**
	(d)	Describe reasons why a loss-making firm may continue to operate in the short run.	**3**
	(e)	Explain supply side policies which could be used to encourage people to return to work.	**2**
	(f)	Describe the possible effect of an ageing population on the UK government's finances.	**2**
	(g)	Describe the role of the International Monetary Fund (IMF).	**2**

Read the following source and attempt ALL questions that follow.

GOVERNMENT PLANS TAX CUTS AND SECURES MAJOR TRADE DEAL

The government is drawing up plans to cut taxes in the run-up to the next election as the Conservative party pins its hopes of re-election on an improving economic outlook. The tax reforms being considered by the Chancellor of the Exchequer, Jeremy Hunt, would see a cut to the higher rates of income tax to make it a less **progressive tax**.

The government also said that it would be presenting its plans to boost productivity of UK firms and economic growth in the long-run. It believes that increasing the productive potential would be beneficial for the economy.

Jeremy Hunt announced that the UK has signed a trade agreement with several countries in Asia and the Pacific. He said the agreement was the UK's 'biggest trade deal since Brexit'. The Chancellor believes that the UK will continue to sign more trade deals, some of which will be with emerging and developing economies. This should increase UK exports, foreign direct investment, and the number of multinationals in the UK.

Questions

MARKS

2. (a) Describe what is meant by the term progressive tax.

2

(b) Describe **2** ways UK firms could improve their productivity.

2

(c) Explain, using a Production Possibility Curve (PPC) diagram, the impact of an increase in the 'productive potential of the economy'.

3

(d) Distinguish between the economic characteristics of emerging and developing economies.

4

(e) Other than increasing UK exports, describe the possible advantages to the UK economy of multinationals locating in the UK.

4

[Turn over

Attempt ALL questions

3. (a) Describe why the basic economic problem of scarcity can never be solved. **2**

   (b) Describe the allocation of resources in a market economy. **3**

   (c) Describe, using an example of each, what is meant by:

   (i) competitive demand **2**

   (ii) competitive supply. **2**

   (d) Draw a diagram to show the impact on the market for eggs of a shortage of chickens, combined with eggs increasingly being seen as part of a healthy diet. **4**

   (e) Describe types of market failure. **4**

   (f) Describe the characteristics of perfect competition. **3**

4. (a) Explain the effects of unemployment on:

   • individuals

   • firms. **6**

   (b) Describe the economic features of the boom/peak stage of the business cycle (trade cycle). **3**

   (c) Distinguish between Gross Domestic Product (GDP) and Gross National Product (GNP). **2**

   (d) Explain the ways in which monetary policy **and** fiscal policy could be used to decrease the rate of inflation. **6**

   (e) Describe **3** economic powers devolved to the Scottish government. **3**

5. (a) Describe the theory of comparative advantage. **3**

   (b) (i) Describe different types of trade barriers. **4**

   (ii) Explain possible reasons for a country imposing trade barriers on imports. **4**

   (c) Describe factors which might increase the exchange rate for the pound sterling. **3**

   (d) Describe the components of the current account of the UK Balance of Payments. **3**

   (e) Describe **3** ways in which developed economies can provide economic assistance to a developing economy. **3**

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