



National
Qualifications
2022

X822/75/11

Economics

FRIDAY, 27 MAY
12:00 NOON – 2:00 PM

Total marks — 90

SECTION 1 — 40 marks

Attempt BOTH questions.

SECTION 2 — 50 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.



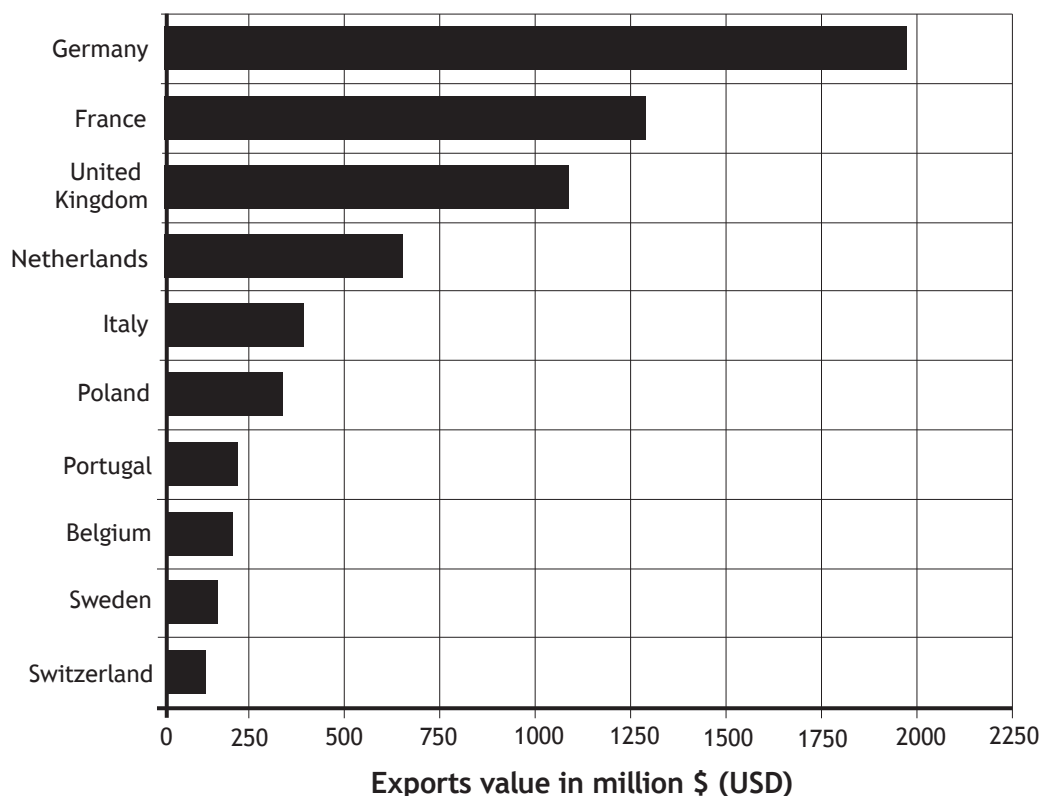
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SECTION 1 — 40 marks
Attempt BOTH questions

MARKS

1. Spain is one of Europe’s biggest vegetable producing regions. In 2020 Spain sold \$1.1bn worth of vegetables to the UK which were not subject to tariffs, but they were subject to high volumes of customs paperwork and border checks.

Value of exports of vegetables from Spain in 2020, by country of destination
(in millions U.S dollars)



- | | | |
|-----|---|---|
| (a) | (i) Define what is meant by the term tariff. | 1 |
| | (ii) Other than a tariff, describe 2 barriers to trade. | 2 |
| | (iii) Describe reasons some countries might place a tariff on Spanish vegetables. | 2 |
| (b) | Explain the possible impact on Spanish exporters of high volumes of customs paperwork and border checks on exports to the UK. | 1 |
| (c) | (i) Describe what is meant by the market for vegetables. | 2 |
| | (ii) Explain, using a market diagram, the effect of bad weather in Spain on the market for its vegetables. | 4 |
| (d) | Identify 2 of Scotland’s main industries. | 2 |
| (e) | (i) Explain ways entrepreneurs contribute to the Scottish economy. | 3 |
| | (ii) Outline 3 economic aims of the UK Government. | 3 |

2. THE STATE OF THE UK ECONOMY

It is impossible to ignore the effects that the coronavirus pandemic (COVID 19) had on the UK economy in 2020. Drastic measures were taken by the Government, and the Bank of England cut the base interest rate to 0.1%, the lowest rate in UK history.

In his 2021 Budget speech, the UK's Chancellor of the Exchequer, Rishi Sunak, said that he would continue to do "whatever it takes" to help the economy recover from the pandemic. He also said that there had been significant damage to the economy during 2020, with the unemployment rate rising to over 5% and the economy shrinking by 9.8% – the largest drop in 300 years.

In 2020/21 the UK Government spent huge sums to support the economy and this, combined with lower government income from some taxes such as VAT, resulted in a budget deficit of £303 billion. It will be the work of many governments over many decades to pay back this borrowing. This will require future governments to alter both capital and current spending, and their taxation plans.

- | | |
|--|---|
| (a) Define the term interest rate. | 1 |
| (b) Explain the effects of a decrease in interest rates on borrowers. | 3 |
| (c) Describe 2 ways unemployment is measured in the UK. | 2 |
| (d) Explain the effects of unemployment on: | |
| • individuals | |
| • firms. | 4 |
| (e) Suggest 3 ways in which the government could increase economic growth. | 3 |
| (f) The UK government had lower income from some taxes, such as VAT. | |
| (i) Distinguish between direct and indirect taxes. | 1 |
| (ii) Other than VAT, give one example of a direct tax and one example of an indirect tax. | 2 |
| (iii) Explain one reason for the fall in government income from VAT in 2020/21. | 1 |
| (g) (i) Distinguish between government capital and current spending. | 1 |
| (ii) Give one example of government capital spending and one example of government current spending on health. | 2 |

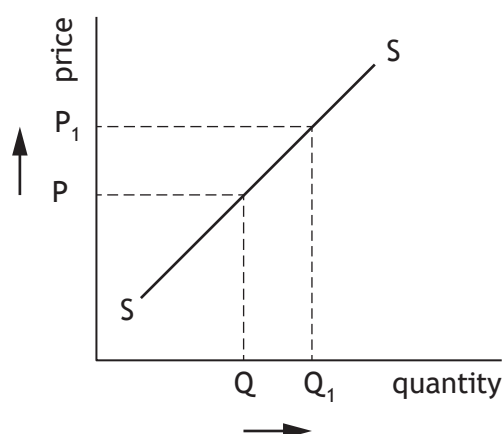
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SECTION 2 — 50 marks

Attempt ALL questions

3. (a) Give examples of 2 ways to save which would gain interest. 2
- (b) Explain reasons for an individual to prepare a budget for their personal finances. 2
- (c) (i) Define the following terms:
- occupational mobility
 - geographical mobility. 2
- (ii) Identify the returns for each of the following factors of production:
- land
 - labour
 - capital
 - enterprise. 4

4. The supply curve below relates to the supply of strawberries.



- (a) (i) State the change taking place in the supply of strawberries. 1
- (ii) Outline a reason for the change. 1
- (iii) Outline 3 factors which can decrease the supply of strawberries. 3
- (b) (i) Explain, using a demand diagram, the way in which an increase in the price of motorbikes will affect the quantity of motorbikes demanded. 3
- (ii) Outline factors, other than price, which might affect the demand for motorbikes. 2
5. (a) Explain the benefits of international trade. 4
- (b) Define the term exchange rate. 1

5. (continued)

(c) Explain a way in which a fall in the exchange rate of sterling is likely to affect a UK importer. 3

(d) Before the lockdown in March 2020, the exchange rate of sterling to the Euro was £1 = €1.20 and in April, just after the lockdown was announced, it had fallen to £1 = €1.10.

If you exchanged £1,000 for Euros, calculate how many fewer Euros you would have received in April compared to March 2020. 2

6. (a) (i) Describe the following terms:

- nominal income
- real income. 2

(ii) An individual has an income of £100. Their wage increases by 5% and the rate of inflation is 7%.

Explain, in the situation above, whether there is an increase or decrease in:

- nominal income
- real income. 2

(b) Describe the steps used to measure inflation in the UK. 3

(c) Describe **one** reason for government spending on each of the following:

- (i) health 1
- (ii) education 1
- (iii) defence. 1

7. (a) Outline **4** reasons why a UK business may decide to locate in a foreign country. 4

(b) Compare the characteristics of a developing economy with the characteristics of an emerging economy. 3

(c) Describe each of the following types of aid given to developing economies:

- (i) capital aid 1
- (ii) emergency aid 1
- (iii) bilateral aid. 1

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