



National
Qualifications
2022

X822/77/11

Economics

FRIDAY, 27 MAY

12:00 NOON – 2:30 PM

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.

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.



* X 8 2 2 7 7 1 1 *

SECTION 1 — 30 marks

Read the following source and attempt ALL questions that follow.

UK Labour Market Set for Bumpy Ride

5 According to the Resolution Foundation, the end of the Furlough Scheme on 30 September 2021 may lead to a large rise in unemployment despite continuing government measures to support the employment of both older and younger workers. It is these groups who have suffered higher job losses as a result of the Covid-19 pandemic. Given the uncertainty concerning the future rate of unemployment, some economists have argued that the proposed rise in National Insurance, which is a tax on employment, should be delayed to make it cheaper for firms to retain, or even increase, their workforce.

10 Some sectors are experiencing acute labour shortages which are having adverse impacts on the supply of goods and services in the UK. At the same time the number of job vacancies in the UK has risen to above 1 million. For some, the end of the Furlough Scheme may well improve labour market flexibility by ending labour hoarding by firms. In addition, workers may be incentivised to take up jobs in sectors in which wages are rising. However, some economists are fearful that the mismatch between vacancies and skills, the reduced availability of overseas workers and **labour immobility** will lead to labour shortages persisting, with damaging consequences for the UK economy. UK business groups want the government to take more action to help with the current labour shortages, rather than focus on longer term adjustments. They argue that businesses face the difficult issue of rising demand combined with global and UK supply problems.

20 The UK Government is hopeful that rising wages will lead to positive changes in the UK economy. It believes this will facilitate a transition to a highly skilled, higher wage, more productive economy. However, some economists are not sure that the long-standing issue of low productivity growth in the UK, compared to many other similar economies, can be solved quickly. In the long term, improving **productivity** is the key to the UK economy achieving non-inflationary economic growth, rising wages and living standards. It remains to be seen whether labour shortages and rising wages will lead to the improvements in productivity which have proved difficult to achieve since the 2008 financial crisis.

Questions

1. Describe what is meant by the following terms.
 - (a) Labour immobility (line 14) 2
 - (b) Productivity (line 23) 2
2. Apart from delaying the increase in National Insurance, explain 2 measures which the government could introduce to reduce the rate of unemployment amongst younger or older workers. 4
3. Discuss the possible disadvantages of rising wages on the UK economy. 4
4. Describe reasons, both global and specific to the UK, which have caused recent shortages of some goods and services in the UK. 6
5. Analyse reasons for the UK's low rate of productivity growth compared to other similar economies. 6
6. Discuss the UK government's view that labour shortages and rising wages will ultimately lead to higher UK productivity. 6

[Turn over

SECTION 2 — 25 marks

Attempt this question

- | | |
|---|---|
| 7. (a) Compare the characteristics of perfect competition and monopolistic competition. | 6 |
| (b) Explain, using a diagram, why a firm in monopolistic competition can only make normal profits in the long run. | 6 |
| (c) Explain, using a diagram, why the negative externalities caused by the excessive consumption of alcohol are an example of market failure. | 7 |
| (d) Discuss the possible measures a government might introduce to decrease the excessive consumption of alcohol. | 6 |

SECTION 3 — 25 marks

Attempt ONE question

8. In September 2021, the Office for National Statistics (ONS) reported that the Consumer Price Index measure of inflation in the year to August saw the highest increase on record. This came at a time of increasing debate over the use of Quantitative Easing (QE) and the possibility of the Bank of England raising interest rates.
- (a) Explain the current inflationary and deflationary pressures in the UK economy. 8
- (b) Analyse the possible economic consequences of raising interest rates on the UK economy. 9
- (c) Explain the negative consequences of having a persistently high level of inflation for an economy. 8

OR

9. Between 31 October and 13 November 2021, Glasgow hosted the 26th UN Climate Change Conference of the Parties (COP26). Throughout the year there has also been increasing debate concerning the 'New Tech Economy'.
- (a) Describe the key features of the circular economy. 8
- (b) Discuss the measures the government could introduce to meet its net zero emissions target. 9
- (c) Explain the possible economic consequences of new technology on the economy. 8

OR

10. In October 2021, the UK Prime Minister, Boris Johnson, announced that a 'permanent investment' into social care must be paid for by a new Health and Social Care Levy, rather than by government borrowing. This came at a time of increasing concerns over the economic impact of Covid-19 and wealth inequality.
- (a) Explain the economic arguments for and against the UK Government's Health and Social Care Levy. 8
- (b) Discuss the possible dangers of rising national debt as a result of high levels of government borrowing during the pandemic. 9
- (c) Describe the economic arguments for and against a wealth tax. 8

[Turn over for the next question

OR

11. In September 2021, the UK Prime Minister, Boris Johnson, and the US President, Joe Biden, met in Washington to discuss a possible trade deal between the UK and the USA. This came at a time when The Economist reported a slowdown in the growth rate of the BRICS economies.
- (a) Discuss the economic arguments for and against free trade policies. 9
- (b) Explain why strengthening trade links with the USA is a key economic objective of the UK government. 7
- (c) Describe the reasons for the slowing rate of growth in the BRICS economies. 9

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