

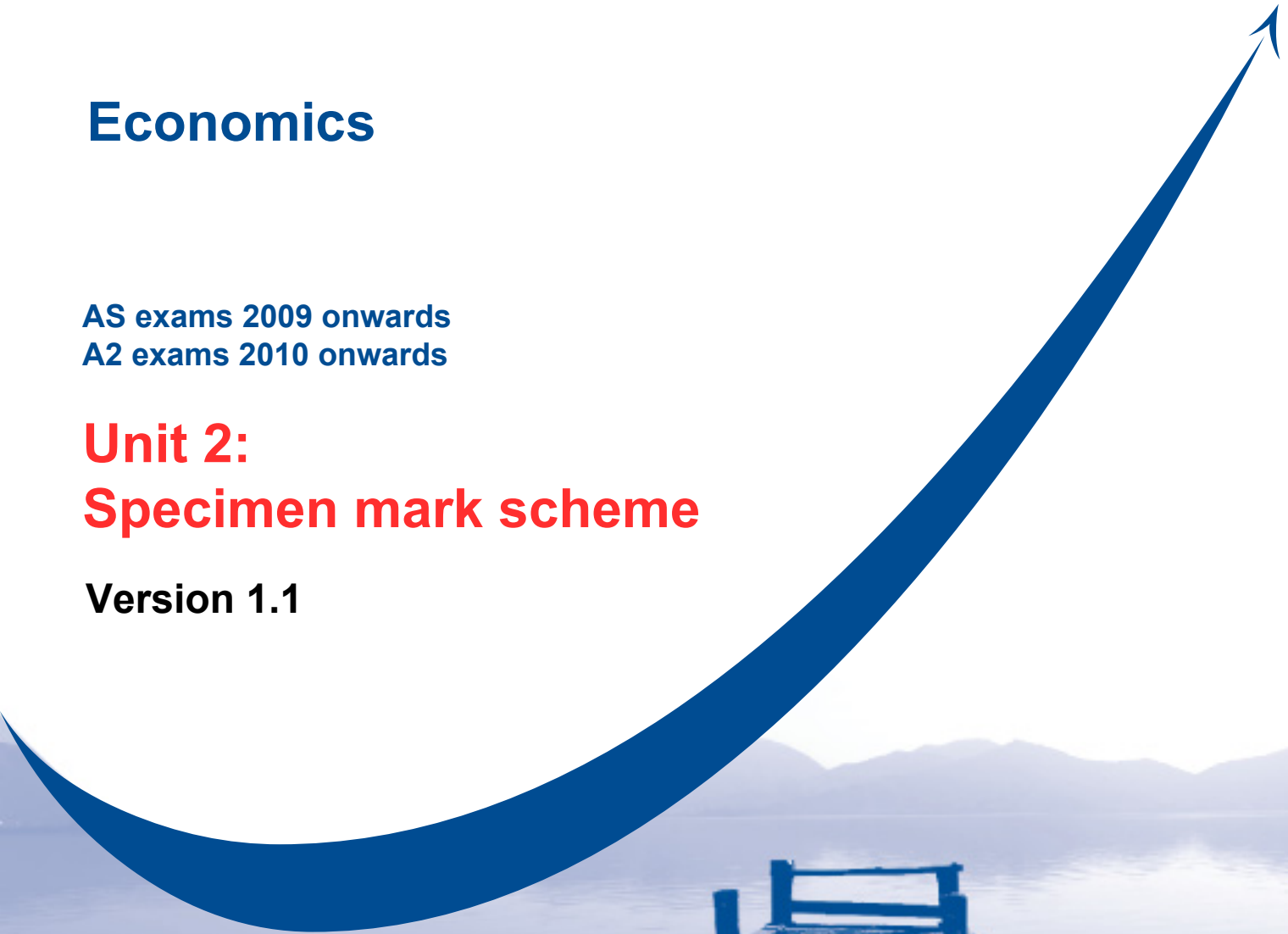
GCE
AS and A Level

Economics

AS exams 2009 onwards
A2 exams 2010 onwards

Unit 2: **Specimen mark scheme**

Version 1.1



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General Certificate of Education

Economics

ECON2

Unit 2 The National Economy

Specimen Mark Scheme

for examinations in 2009 onwards

The specimen assessment materials are provided to give centres a reasonable idea of the general shape and character of the planned question papers and mark schemes in advance of the first operational examinations.

Further copies of this Mark Scheme are available to download from the AQA Website: www.aqa.org.uk

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Advanced Subsidiary Economics Unit 2

Section A: Objective Test

Specimen Key List

The following list indicates the correct answers used in marking the candidates' responses.

| | | | |
|-----------|----------|-----------|----------|
| 1 | B | 20 | D |
| 2 | D | 21 | A |
| 3 | C | 22 | B |
| 4 | D | 23 | D |
| 5 | A | 24 | B |
| 6 | D | 25 | C |
| 7 | B | | |
| 8 | B | | |
| 9 | D | | |
| 10 | B | | |
| 11 | C | | |
| 12 | D | | |
| 13 | A | | |
| 14 | C | | |
| 15 | C | | |
| 16 | A | | |
| 17 | C | | |
| 18 | C | | |
| 19 | A | | |

Advanced Subsidiary Economics Unit 2

Section B: Data Response

Specimen Mark Scheme

General Instructions

Marks awarded to candidates should be in accordance with the following mark scheme and examiners should be prepared to use the full range of marks available. The mark scheme for most questions is flexible, permitting the candidate to score full marks in a variety of ways. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **MUST** be given. A perfect answer is not necessarily required for full marks. But conversely, if the candidate's answer does not deserve credit, then no marks should be given.

Occasionally, a candidate may respond to a question in a reasonable way, but the answer may not have been anticipated when the mark scheme was devised. In this situation, **OR WHENEVER YOU HAVE ANY DOUBT ABOUT THE INTERPRETATION OF THE MARK SCHEME**, you must in the first instance telephone your team leader to discuss how to proceed.

Two approaches have been used in the construction of the mark scheme.

- (i) **An issue based approach.** The mark scheme for parts (a), (b) and (c) of the data response questions adopts this approach. The mark scheme lists the marks that can be awarded for particular issues (and associated development) that the candidate might include in the answer.
- (ii) **A levels approach.** This approach is used for marking part (d) of the data response questions. The Levels Mark Scheme on the next page identifies five levels representing differences in the quality of work. A range of marks is allocated to each level. First decide the level into which an answer falls. The level chosen should be the one which **best fits** the answer provided by the candidate. It is **not** intended that the answer should satisfy every statement in the level description. Then think in terms of awarding the mid-point mark which has been identified for that level (e.g. 14 marks for Level 3). Move up or down from this notional mark by considering the extent to which the answer meets the level description overall. Strength in one skill can outweigh weakness in another. When using the Levels Mark Scheme the marker **must** identify where a particular skill is being demonstrated. The **key** to be used to identify the skill is given after the level descriptions. The question-specific mark scheme summarises the information which could be used to answer the question, but without attaching marks to particular issues.

THE LEVELS MARK SCHEME FOR AS

Level Descriptions

In part (d) of the data response questions, approximately half the marks are available to award to candidates who demonstrate that they can evaluate economic arguments and evidence, and make informed judgements. An answer showing no evidence of evaluation, however good the analysis, should be awarded a maximum of 13 marks (in Level 3). The quality of evaluation should be the sole distinction between a Level 4 and Level 5 answer. It is not necessary for the answer to identify a wide range of issues to score the top mark. As indicated below, the **Quality of Written Communication** used should be taken into account when awarding marks.

Level 1: A very weak answer

Few, if any, relevant issues are recognised. Economic concepts and principles are not adequately understood or applied to the question. No satisfactory analysis or evaluation. There might be some evidence of organisation in the answer but generally it fails to answer the question. Descriptions and explanations lack clarity. Spelling, punctuation and grammar may be poor. There is little use of economic terminology.

0 to 6 marks

Mid-Point 4 marks

Level 2: A poor answer but some understanding is shown

One or more relevant issues are recognised. An attempt is made to use basic economic concepts to answer the question but the candidate's explanation may become confused and analysis will therefore be very limited. There may be some attempt to present alternative points of view but any attempt at evaluation is limited or superficial. There is some logic and coherence in the organisation of the answer. The candidate demonstrates some ability to spell commonly used words and to follow the standard conventions of punctuation and grammar. Some use of economic terminology is made but this is not always applied appropriately.

7 to 11 marks

Mid-Point 9 marks

Level 3: An adequate answer with some correct analysis but very limited evaluation

Two or more relevant issues are recognised. The candidate has made a reasonable attempt to apply economic concepts and ideas. A satisfactory understanding of some basic economic concepts and theories is demonstrated and there is some evidence that the candidate can analyse issues. There will be some attempt to present alternative points of view and to evaluate the issues, arguments and/or data. There is some logic and coherence in the organisation of the answer. The candidate is generally able to spell commonly used words and usually follows the standard conventions of punctuation and grammar. Some descriptions and explanations are easy to understand, but the answer may not be expressed clearly throughout. There is some evidence of the correct use of relevant economic terminology.

12 to 16 marks

Mid-Point 14 marks

Level 4: Good analysis but limited evaluation

Two or more relevant issues are identified. Good understanding of basic economic concepts and models is demonstrated. The candidate is able to apply these concepts and models to answer the question. Some appreciation of alternative points of view is shown. Satisfactory use is made of evidence and/or theoretical analysis to evaluate the issues/arguments/economic models identified and to support conclusions. Spelling is generally accurate and the standard conventions of punctuation and grammar are usually followed. The answer is well organised. Descriptions and explanations are clearly expressed. Appropriate use is made of relevant economic terminology.

17 to 21 marks

Mid-Point 19 marks

Level 5: Good analysis and evaluation

Two or more relevant issues are identified. Good understanding of basic economic concepts and models is demonstrated. The candidate is able to apply these concepts and models to answer the question. Clear understanding of alternative points of view is shown. Good use is made of evidence and/or theoretical analysis to evaluate the issues/arguments/economic models identified and to support conclusions. A clear final judgement is made. Spelling is generally accurate and the standard conventions of punctuation and grammar are usually followed. The answer is well organised. Descriptions and explanations are clearly expressed. Appropriate use is made of relevant economic terminology.

22 to 25 marks
Mid-Point 24 marks

THE KEY TO BE USED WHEN USING THE LEVELS MARK SCHEME

- D** Where a particular economic term is correctly **DEFINED** in order to help the candidate to answer the question properly.
- I** Where a relevant **ISSUE** is raised by the candidate.
- K** Where the candidate demonstrates **KNOWLEDGE** of recent developments or features of the economy which help enhance the candidate's response to the question. This should also be used where the candidate quotes relevant examples.
- Ap** Where the candidate demonstrates the ability to **APPLY** knowledge and **CRITICAL UNDERSTANDING** to problems and issues.
- A** Where the candidate demonstrates the ability to **ANALYSE** the problem using appropriate economic ideas.
- E** Where the candidate **EVALUATES** and makes judgements about the significance of various issues and arguments.

26 UK EXTERNAL PERFORMANCE

Total for this question: 50 marks

| |
|--|
| 26 (a) Using Extract A , identify three features in the UK balance of payments on current account over the period shown. <i>(5 marks)</i> |
|--|

Award up to 2 marks for each valid point made (one mark for identification and one mark for supporting reference(s) to the data). For example:

- the balance of payments on current account remained in deficit throughout the period
- the quarterly performance of GDP was quite volatile
- the monetary range of deficits was -£10 billion
- the percentage range of deficits was – 0.25% to - 3.5%
- the best quarterly performance was in 2003 (-£1 billion or -0.5%), the worst in 2000 and 2005 (-£14 billion or -3.5%)
- at the beginning and end of the period, there was a similar % deficit of approx. negative 2.25%

A maximum of **2 marks** may be awarded if the candidate simply trawls through the data.

A maximum of **3 marks** may be awarded if there is no use of statistics.

Accept close approximations in any decimal place figures quoted.

MAXIMUM FOR PART (a): 5 MARKS

26(b) **Extract B** (lines 2-3) states that a \$2 pound can be ‘good news for UK consumers....but bad news for UK exporters’. Explain why this might be the case. *(8 marks)*

For candidates who:

define exchange rate **up to 2 marks**

explain the meaning of a ‘\$2 pound’ **1 mark**

explain the benefits of a strong pound to import prices, allowing consumers to purchase more imports per £ exchanged, and the benefits to tourists, e.g. New York mini-breaks **up to 4 marks**

explain the impact of a strong pound on exporters, i.e. export prices rise, potentially making it more difficult to sell in overseas markets **up to 4 marks**

use numerical examples for illustration of the advantages and disadvantages **up to 2 marks**

make relevant use of diagrams **up to 2 marks**

Award a maximum of **5 marks** if there is only reference to consumers or only reference to exporters.

MAXIMUM FOR PART (b): 8 MARKS

26(c)**Extract B** (lines 11-12) suggests that, if UK exporters successfully exploit the growth in world markets, the ‘consequent multiplier effect could give a boost to GDP, employment and inflation’.

Analyse the possible effects of the multiplier process on GDP, employment **and** inflation.
(12 marks)

For candidates who:

define terms used in the question **up to 2 marks**

explain the multiplier process, perhaps with reference to types of multiplier, e.g. the investment multiplier, and to the negative multiplier effect **up to 3 marks**

explain how the multiplier can affect GDP, e.g. an injection of investment spending into a sector (1 mark), raising the incomes of those employed in that sector (1 mark), incomes are then generated in other parts of the economy as the initial higher income is spent (1 mark), causing output to increase to meet higher demand, so allowing GDP to rise (1 mark) **up to 4 marks**

explain how the multiplier can affect employment, e.g. higher capital spending in the public sector, expansion of jobs in the public sector, employees spend their income creating more jobs in the private and public sectors, causing total employment in the economy to rise **up to 4 marks**

explain how the multiplier process can affect inflation, e.g. the impact of the multiplier on AD, causing pressure of AD on AS, and initiating demand-pull inflation **up to 4 marks**

use diagrams to support the explanations **2 marks per diagram to a maximum of 3 marks**

Reward references to the UK economy

A candidate might offer an explanation which considers GDP, employment and inflation together. In this case, reward the answer up to a maximum of **8 marks**

Award a maximum of **10 marks** if the candidate refers only to two indicators.

MAXIMUM FOR PART (c): 12 MARKS

26(d) **Extract B** (line 16) states that, in assessing the reasons for the UK's external weakness, 'not all the blame can be put on a strong pound'. Using the data and your economic knowledge, evaluate the significance of a strong pound in explaining deficits in the UK balance of payments on current account. (25 marks)

It is anticipated that candidates might begin their answers by recapping on some of the material included in part (b), before placing the exchange rate into the context of other weaknesses or problems in the UK economy.

Candidates will need to demonstrate that they are able to evaluate issues and arguments if they are to be awarded **more than 13 marks**.

Candidates who make a genuine attempt at evaluation should be well rewarded. In the context of this question they might: *put the strong pound into the context of an economy which has underlying strengths; a much weaker pound could prove to be insignificant if overseas consumers don't want UK goods and services for other reasons, e.g. quality; even a weak pound may not have the desired effect in a world economy in recession; a strong pound and the consequent cheaper imports could help the balance of payments on current account.*

Candidates should not be awarded above **Level 3** if evaluation does not go beyond the superficial. However, within this constraint, there is scope to award the more implicit evaluation, i.e. where there is some evidence of judgements having been made by candidates as to what are relevant/irrelevant issues.

To gain **Levels 4 or 5**, there needs to be more explicit evaluation along the lines suggested above, and clear evidence of critical/informed comment on issues raised, the ability to make judgements, and the ability to draw conclusions from the material presented.

Candidates should be awarded a maximum of **20 marks** if there is no **explicit** reference to the data.

The issues identified below are intended to provide an indication of some of the areas which might be discussed. Candidates can only be expected to consider a few of these and/or other issues in the time available.

Issues and areas for discussion include:

- the exchange rate of a currency
- the meaning of a 'strong' or 'weak' pound
- the impact on exports and imports
- the condition of the real economy
- industrial structure 'fit for purpose'
- underdeveloped/unrecognised comparative advantages
- the nature and importance of supply-side reforms
- productivity
- technology
- labour market reforms
- incentives
- the rate of inflation
- the possibility of deflation
- the strong pound in the context of an economy which has underlying strengths
- the importance of non-price competition
- a weak pound in the context of a world economy in recession
- the potential benefits of cheap imports to the balance of payments on current account

Also give credit for:

- use of diagrams
- references to the UK and/or other economies
- an overview of the issues raised; a final judgement

USE THE LEVELS MARK SCHEME

MAXIMUM FOR PART (d): 25 MARKS

27 UK GROWTH, EMPLOYMENT AND PRICE STABILITY

Total for this question: 50 marks

| |
|--|
| 27(a) Define economic growth and , using Extract C , identify two features of the rate of growth of UK GDP over the period shown. <i>(5 marks)</i> |
|--|

For providing an appropriate definition of economic growth, e.g. an increase in output and real incomes, measured by use of GDP data **up to 2 marks**

Award up to 2 marks for each valid feature identified (one mark for identification and one mark for supporting reference(s) to the data). For example:

- GDP growth was positive throughout the period
- there was some evidence of volatility throughout the period but with the end of 2005 and into 2006 showing greater stability quarter-to-quarter
- at the start of the period, annualised GDP growth was 2.25% while at the end of the period it had risen to 2.75%
- on an annualised basis, the rate of growth of GDP was rising between 2002 and 2004, declining in the second half of 2004 to the second half of 2005, before rising again
- the second half of 2003 showed the strongest quarterly growth of GDP; the first quarter of 2005, the weakest

A maximum of **2 marks** may be awarded if the candidate simply trawls through the data.

A maximum of **3 marks** may be awarded if there is no use of statistics.

MAXIMUM FOR PART (a): 5 MARKS

27(b) **Extract D** (line 16) refers to a revival in business investment in the economy in 2006.
Explain **two** determinants of investment in an economy. *(8 marks)*

For candidates who:

define investment, e.g. assets generating income, creating productive capacity, developing human capital **up to 2 marks**

explain how 'revival' might be measured **1 mark**

explain determinants of investment, e.g.

- the price of capital equipment
- the rate of interest
- the expected rate of return
- the need for skills within the labour force
- government capital spending
- higher labour costs encouraging labour-displacement policies
- foreign direct investment (FDI)

**up to 4 marks per determinant
explained to a maximum of 8 marks**

Award up to **2 marks** for relevant use of diagrams.

Where a candidate includes more than two determinants, reward the two strongest explained

MAXIMUM FOR PART (b): 8 MARKS

27(c) **Extract D** (lines 14-15) refers to inflationary ‘demand-pull and cost-push pressures at work in the economy’. Define the terms ‘demand-pull’ and ‘cost-push’ **and** analyse the causes of these types of inflation. *(12 marks)*

For candidates who:

define inflation, e.g. a rise in the general price level, a fall in the purchasing power of money **up to 2 marks**

define demand-pull inflation **up to 2 marks**

define cost-push inflation **up to 2 marks**

explain causes of demand-pull inflation, e.g. low interest rates (1 mark), meaning that consumer credit becomes cheaper (1 mark), and saving less attractive (1 mark), so that AD will rise, potentially creating shortages and hence higher prices (1 mark); increased money supply, fiscal expansion, higher earnings **up to 4 marks per cause explained to a maximum of 6 marks**

explain causes of cost-push inflation, e.g. higher wage costs (1 mark), perhaps because the economy has achieved full employment (1 mark), causing greater bargaining strength amongst employees, resulting in businesses raising prices in order to finance a higher wage bill (1 mark); a weakening exchange rate pushing up prices of imported inputs, higher international commodity prices, particularly oil, higher property prices generating higher mortgage and/or rent costs **up to 4 marks per cause explained to a maximum of 6 marks**

use diagrams to support the explanations **2 marks per diagram to a maximum of 3 marks**

Reward references to the UK economy

Award a maximum of **8 marks** if the candidate refers only to demand-pull inflation or only to cost-push inflation.

MAXIMUM FOR PART (c): 12 MARKS

27(d) **Extract D** (lines 27-29) states that ‘it is improvements to the supply side of the economy which are more likely to achieve the objectives of low unemployment in the long term and non-inflationary economic growth’. Evaluate the importance of the supply side of the UK economy in achieving these objectives. (25 marks)

It is anticipated that candidates will identify supply-side reforms, explain why these are important to the achievement of better macroeconomic performance, and go on to consider why demand-management policy is also important.

Candidates will need to demonstrate that they are able to evaluate issues and arguments if they are to be awarded **more than 13 marks**.

Candidates who make a genuine attempt at evaluation should be well rewarded. In the context of this question they might: *discuss the importance of the magnitude of the reforms; the limitations of reforms if the domestic economic climate is not conducive to their exploitation; international economic problems, such as recession amongst some of our major trading partners, may also limit the immediate benefit of reforms; the distinction between long-term supply-side reforms and what may be short-term demand-management policy; the way in which objectives can become complicated by conflict when trying to achieve a number of objectives.*

Candidates should not be awarded above **Level 3** if evaluation does not go beyond the superficial. However, within this constraint, there is scope to award the more implicit evaluation, i.e. where there is some evidence of judgements having been made by candidates as to what are relevant/irrelevant issues.

To gain **Levels 4 or 5**, there needs to be more explicit evaluation along the lines suggested above, and clear evidence of critical/informed comment on issues raised, the ability to make judgements, and the ability to draw conclusions from the material presented.

Candidates should be awarded a maximum of **20 marks** if there is no **explicit** reference to the data.

The issues identified below are intended to provide an indication of some of the areas which might be discussed. Candidates can only be expected to consider a few of these and/or other issues in the time available.

Issues and areas for discussion include:

- macroeconomic performance
- macroeconomic objectives
- non-inflationary economic growth
- short-term growth compared to the long-run trend rate of economic growth
- low unemployment
- prices
- the themes associated with supply-side reforms such as incentives, mobility, flexibility and efficiency
- LRAS
- AD/AS analysis
- PPF diagrams
- productivity
- technology

- labour market reforms
- welfare reform
- taxation reform
- demand-management policy
- monetary policy
- the role of the MPC
- fiscal policy
- the importance of the magnitude of the reforms
- the significance of the domestic economic climate
- international economic problems limiting the immediate benefit of reforms
- the distinction between long-term supply-side reforms and what may be short-term demand-management policy
- the way in which objectives can become complicated by conflict

Also give credit for:

- use of diagrams
- references to the UK and/or other economies
- an overview of the issues raised; a final judgement

USE THE LEVELS MARK SCHEME

MAXIMUM FOR PART (d): 25 MARKS

TOTAL FOR THIS QUESTION: 50 MARKS