



*Rewarding Learning*

**ADVANCED SUBSIDIARY (AS)  
General Certificate of Education  
2016**

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**Economics**

Assessment Unit AS 2

The National Economy

**[AE121]**

**THURSDAY 23 JUNE, AFTERNOON**

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**MARK  
SCHEME**

## General Marking Instructions

This mark scheme is intended to ensure that the AS examinations are marked consistently and fairly. The mark scheme provides examiners with an indication of the nature and range of candidate responses likely to be worthy of credit. It also sets out the criteria which they should apply in allocating marks to candidates' responses. The mark scheme should be read in conjunction with these general marking instructions which apply to all papers.

### Quality of candidates' responses

In marking the examination papers, examiners will be looking for a quality of response reflecting the level of maturity which may reasonably be expected of 17-year-olds, which is the age at which the majority of candidates sit their AS examinations.

### Flexibility in marking

The mark scheme is not intended to be totally prescriptive. For many questions, there may be a number of equally legitimate responses and different methods by which the candidates may achieve good marks. No mark scheme can cover all the answers which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner for the paper concerned.

### Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for valid responses rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected for 17-year old candidates. Conversely, marks should only be awarded for valid responses and not given for an attempt which is completely incorrect or inappropriate.

### Types of mark schemes

Mark schemes for questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication. These questions are indicated on the cover of the examination paper. Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided. Some material may be included in the mark scheme for the benefit of teachers and pupils preparing for future examinations. Candidates are not expected to have provided this information. Such material is printed in the mark scheme in italics.

### Levels of response

Questions requiring candidates to respond in extended writing are marked in terms of levels of response. In deciding which level of response to award, examiners should look for the "best fit" bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement. The following guidance is provided to assist examiners.

**Threshold performance:** Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.

**Intermediate performance:** Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.

**High performance:** Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

## Marking calculations

In marking answers involving calculations, examiners should apply the “own figure rule” so that candidates are not penalised more than once for a computational error.

### Quality of written communication

Quality of written communication is taken into account in assessing candidates’ responses to all questions that require them to respond in extended written form. These questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication. Where the quality of candidates’ economics is not matched by the quality of written communication, marks awarded will not exceed the maximum for Level 2 in questions which have three levels of response or the maximum for Level 3 in those which have four levels of response.

For conciseness, quality of written communication is distinguished within levels of response as follows:

Level 1: Quality of written communication is limited.

Level 2: Quality of written communication is satisfactory.

Level 3: Quality of written communication is of a high standard.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

**Level 1 (Limited):** The candidate makes only a limited attempt to select and use an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

**Level 2 (Satisfactory):** The candidate makes a reasonable attempt to select and use an appropriate form and style of writing, supported with appropriate use of diagrams as required. Relevant material is organised with some clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning evident.

**Level 3 (High Standard):** The candidate successfully selects and uses an appropriate form and style of writing, supported with the effective use of diagrams where appropriate. Relevant material is organised with a high degree of clarity and coherence. There is widespread use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning clear.

- 1 (a) UK real GDP and UK real per capital GDP follow similar but not identical trends. Both rise rapidly at first and reach a peak in 2007. Thereafter both fall rapidly to reach a low in 2009. This is followed by a gradual recovery, however real GDP recovers much more rapidly than real per capita GDP and passes its previous peak in 2014. Real per capita GDP remains (June 2014) five per cent below its high in 2007.

Relevant points of comparison of data include:

- UK real GDP rose from its base of 100 in 1997 to a peak of 137 in 2007
- UK real GDP per capita rose from its base of 100 in 1997 to a peak of 130.5 in 2007
- During the period between 2007 and 2009 real GDP fell from an index of 137 to an index of 129. This is a fall of 5.1 per cent
- During the period 2007/2009 real GDP per capita fell from an index of 130.5 to an index of 122. This is a fall of 6.5 per cent
- From its trough in 2009 till mid 2014, UK real GDP rose to an index of 138. This is a percentage rise of 7 per cent
- From its trough in mid 2009 till 2014 UK real GDP per capita rose from an index of 122 to an index of 124. This is a percentage rise of 1.6 per cent.

**Level 1 ([1]–[2])**

Candidate provides little comparison of the two trends. There is likely to be a purely narrative approach where the figures for each year are recorded with no significant manipulation of data or explanation of long run trends. Quality of written communication is limited.

**Level 2 ([3]–[4])**

Candidate provides some comparison of the two trends. There will be a degree of data manipulation but this will be incomplete or contain errors. Quality of written communication is satisfactory.

**Level 3 ([5]–[6])**

Candidate provides an in depth comparison of the two trends, including identification that GDP has increased more than per capita GDP. There will be extensive and appropriate data manipulation and quality of written communication is of a high standard. [6]

- (b) The first stage in using GDP figures to estimate a country's rate of economic growth is to remove the impact of inflation from GDP figures. This is done by the use of the GDP deflator.

This gives us an estimate for real GDP and the rate of economic growth is the annual percentage increase in an economy's real GDP.

Year			
Year	GDP deflator	Nominal GDP (£m)	Real GDP (£m)
2011/12	100	1524550	1524550
2012/13	101.3	1546000	1526160

Real GDP is measured at 2011/12 constant prices.

The second stage is to calculate the percentage change in real GDP.

The rate of economic growth between 2011/12 and 2012/13

is  $\frac{1526160 - 1524550}{1524550} \times 100$  which is a mere 0.1 per cent.

**Level 1 ([1]–[2])**

Candidate provides little explanation of how GDP estimates can be used to measure economic growth. There are likely to be vague references to inflation or the economy producing more but these will not be developed. Quality of written communication is limited.

**Level 2 ([3]–[4])**

Candidate provides some explanation of how GDP estimates can be used to measure economic growth. The need to remove the impact of inflation will be explained but this explanation will be incomplete or contain errors. Quality of written communication is satisfactory.

**Level 3 ([5]–[6])**

Candidate provides an accurate and comprehensive explanation of how GDP estimates can be used to measure economic growth. The removal of the impact of inflation is clearly explained, as is the calculation of the percentage change in real GDP. Quality of written communication is of a high standard. [6]

- (c) Interest rates have a significant impact on the scale and direction of portfolio investment. Internationally mobile capital will be attracted to the regions which offer the highest rates of return. Hence a fall in Eurozone rates will make Eurozone banks a less attractive location for foreign investors who will withdraw funds and transfer to countries with higher rates. This will increase the supply of euros on foreign exchange markets. It will also reduce the demand for euros as foreign investors reduce investing in the eurozone. These two factors will cause a fall in the external value of the euro.

**Level 1 ([1]–[2])**

Candidate provides little explanation of why lower ECB interest rates would be likely to cause a fall in the external value of the euro. There is a vague anecdotal approach with no significant economic analysis and quality of written communication is limited.

**Level 2 ([3]–[4])**

Candidate provides some explanation of why lower ECB interest rates would be likely to cause a fall in the external value of the euro. There is a degree of economic analysis though this will be incomplete or contain errors. Quality of written communication is satisfactory.

**Level 3 ([5]–[6])**

Candidate provides a comprehensive explanation of why lower ECB interest rates would be likely to cause a fall in the external value of the euro. There is accurate economic analysis, perhaps including a relevant diagram and quality of written communication is of a high standard. [6]

- (d) Economic stagnation in the Eurozone would be likely to affect the UK economy in a number of ways, the most important of which is the net export component of aggregate demand. Eurozone consumers faced with falling disposable incomes will cut their demand for imports including those from the UK. UK aggregate demand will fall and this will have knock on effects on the wider economy including the labour market.

**Level 1 ([1]–[2])**

Candidate provides little explanation of the likely impact of stagnation in the Eurozone on the UK economy. There may be undeveloped references to exports but no significant economic analysis. Quality of written communication is limited.

**Level 2 ([3]–[4])**

Candidate provides some explanation of the likely impact of stagnation in the Eurozone on the UK economy. There is a degree of economic analysis but this is likely to be incomplete or contain errors and quality of written communication is satisfactory.

**Level 3 ([5]–[6])**

Candidate provides a comprehensive explanation of the likely impact of stagnation in the Eurozone on the UK economy. There is accurate economic analysis, perhaps including a relevant diagram and quality of written communication is of a high standard. [6]

- (e) The informal economy is economic activity which takes place below the radar of the government. This may be because the activity is illegal in itself such as drug dealing or because traders wish to avoid either tax or government regulation. Hence the higher the level of tax and the greater the amount of government regulation then the more extensive the size of the informal economy. Illegal inwards migration fuels the informal economy as illegal migrants are unable to work legally and hence will tend to find employment in the underground economy.

**Level 1 ([1]–[2])**

Candidate provides little explanation of the factors which encourage unrecorded economic activity. There is little application to the UK economy and quality of written communication is limited.

**Level 2 ([3]–[4])**

Candidate provides some explanation of the factors which encourage unrecorded economic activity. There is a degree of application to the UK economy and quality of written communication is satisfactory.

**Level 3 ([5]–[6])**

Candidate provides a clear and comprehensive explanation of the factors which encourage unrecorded economic activity. There is detailed application to the UK economy and quality of written communication is of a high standard. [6]

- (f) The usefulness of GDP estimates has long been a matter of concern to economists – so much so that a number of alternative indicators of welfare such as the Human development Index have been developed.

Some of the most significant criticisms of GDP are:

- It fails to measure the negative externalities which arise from growth
- It fails to measure the improvements in our lives which come from fewer working hours or improved technology
- It fails to tell us how the proceeds from growth are distributed
- It fails to distinguish between sustainable and unsustainable growth.

However GDP estimates do have some uses:

- It is a relatively simple concept and fairly easy to measure. Other indices include figures for issues like political freedom which are quite difficult to define and measure.
- It gives a broad, albeit imperfect indication, of the state of the economy and how it is progressing
- It is useful for international comparisons where other countries calculate GDP on the same basis
- It is useful for comparing the performance of different sectors and regions of the economy
- It is important for determining contributions to international bodies.

**Level 1 ([1]–[3])**

Candidate provides little critical examination of the view that GDP estimates should no longer be collected. There may be some superficial references to the shortcomings of GDP but these will lack depth or contain inaccuracies. Quality of written communication is limited.

**Level 2 ([4]–[7])**

Candidate provides some critical examination of the view that GDP estimates should no longer be collected. However evaluation is likely to be one-sided or contain minor inaccuracies. Quality of written communication is satisfactory.

**Level 3 ([8]–[10])**

Candidate provides a balanced and detailed critical examination of the view that GDP estimates should no longer be collected. Key issues are explored in depth and a judgement is provided. Quality of written communication is of a high standard. [10]

AVAILABLE  
MARKS

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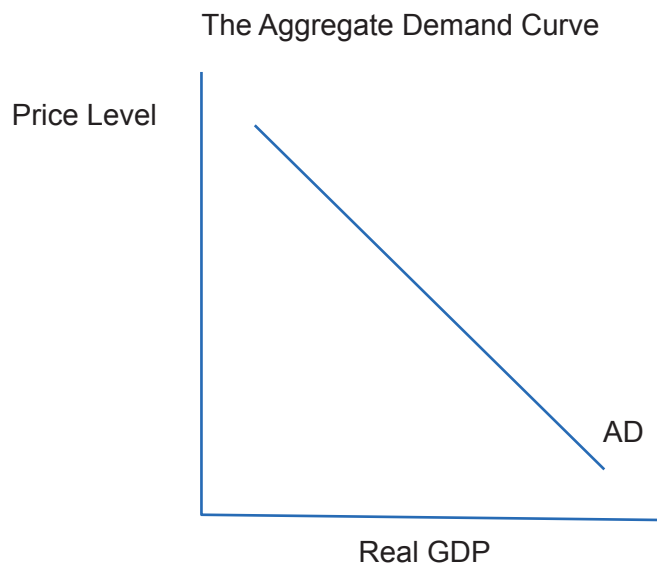
## Essays

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- 2 (a) The aggregate demand curve shows the relationship between the economy's average price level (usually measured by the consumer price index) and the level of real expenditure.

Aggregate Demand (AD) is composed of various components:

- C = Consumer expenditure on goods and services.
- I = Gross Capital Investment – i.e. investment spending on capital goods, e.g. factories and machines
- G = Government Spending, e.g. spending on NHS, education
- X = Exports of Goods and Services. Goods leave the country but money from abroad flows into the economy, therefore this is an increase in AD (an injection in to the circular flow)
- M = Imports of Goods and Services, although goods enter the country money is leaving the economy to go to other countries, therefore AD falls (a withdrawal from the circular flow)



The aggregate demand curve slopes downwards from left to right, reflecting that the level of aggregate demand increases as the price level falls.

### Level 1 ([1]–[3])

Candidate provides little explanation of what is shown by the aggregate demand curve. There will typically be vague references to some of the components of AD but these will lack detail. Quality of written communication is limited.

### Level 2 ([4]–[7])

Candidate provides some explanation of what is shown by the aggregate demand curve. There will typically be a degree of explanation of the components of AD but these will be incomplete or contain errors. Quality of written communication is satisfactory.

### Level 3 ([8]–[10])

Candidate provides a comprehensive explanation of what is shown by the aggregate demand curve. There will be a detailed explanation of the components of AD and some reference to the slope of the curve. Quality of written communication is of a high standard. [10]

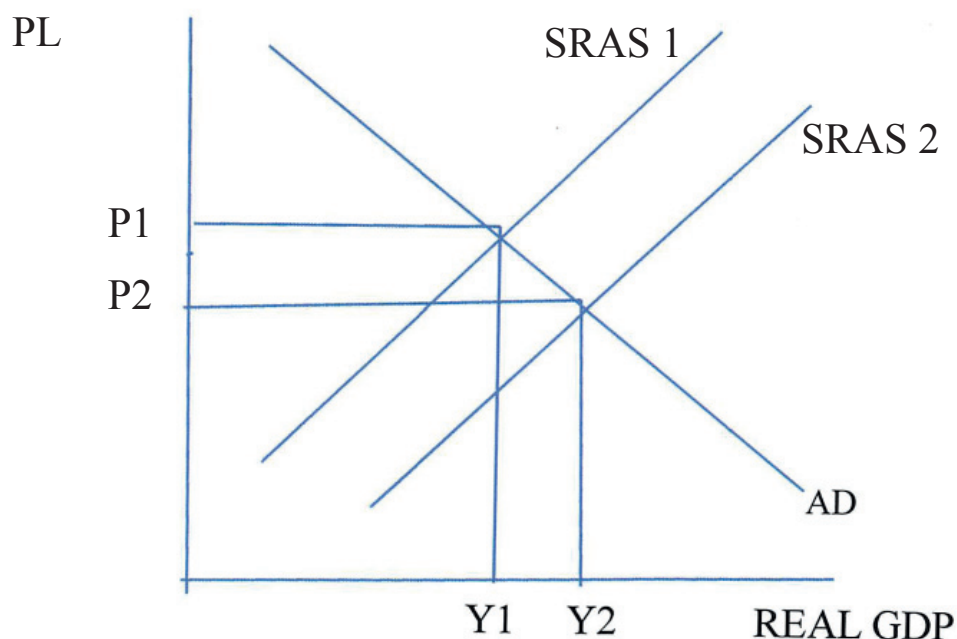


- (b) Oil is a major input into the production of a wide range of goods and services. A significant fall in its price will cause a fall in the costs of production and shift the aggregate supply curve to the right. The economy will experience a fall in the price level and a rise in real GDP.

Although the UK has a significant oil production sector which will be adversely affected by falling oil prices, this will be more than compensated by benefits in other sectors of the economy.

In addition to the impact on aggregate supply there will be an increase in Aggregate Demand as a result of rising real incomes.

However this will be less significant than the rise in Aggregate Supply.



**Level 1 ([1]–[5])**

Candidate provides little explanation of the impact on an economy of falling oil prices. There may be vague anecdotal references to issues like “cheaper petrol” but no significant economic analysis and quality of written communication is limited.

**Level 2 ([6]–[10])**

Candidate provides some explanation of the impact on an economy of falling oil prices. However this will be limited to showing a rightward shift in the SRAS curve and the impact on the price level and real GDP. There is no significant attempt to explore other issues and quality of written communication is satisfactory.

**Level 3 ([11]–[15])**

Candidate provides a clear and comprehensive explanation of the impact on an economy of falling oil prices. There will be significant economic analysis which goes beyond simply showing a rightward shift in the AS curve. Other issues will be explored and quality of written communication is of a high standard.

[15]

- (c) Expansionary monetary and fiscal policies have both advantages and disadvantages. It could be argued that the world's recovery from the 2008 financial crisis was largely due to the ultra loose monetary policies pursued by many of the world's central banks. Similarly the world's recovery from the great depression of the 1930s was largely due to the expansionary fiscal policies which UK and American governments pursued. So expansionary policies do have a role to play when the economy is in a deep recession but they do also have significant disadvantages.

**Issues for analysis and evaluation include:**

- High levels of government borrowing may cause a rise in interest rates
- High levels of government borrowing may undermine international confidence in the UK and weaken its credit rating
- An increase in the size of the public sector may reduce productivity and growth
- Moral hazard arguments against bailing out loss making firms including banks
- Monetary expansion can cause asset price bubbles and greatly increase wealth inequality
- Monetary expansion can cause a loss of confidence in Sterling
- Problems arising from time lags.

**Level 1 ([1]–[5])**

Candidate provides little critical examination of this view. There may be vague references to inflation but these will not be developed. There will be no significant economic analysis and quality of written communication is limited.

**Level 2 ([6]–[10])**

Candidate provides some critical examination of this view. However this is likely to be one-sided or lack depth. Quality of written communication is satisfactory.

**Level 3 ([11]–[15])**

Candidate provides an in-depth critical examination and judgement of this view. Quality of written communication is of a high standard. [15]

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3 (a) The official measure of unemployment in the UK is one based on the quarterly Labour Force Survey. This asks 100 000 persons in 40 000 households to self classify as either employed, unemployed or economically inactive. In order to be classed as unemployed a person must be:

- without a job, want a job, have actively sought work in the last four weeks, and are able to start work within the next two weeks; or
- out of work, have found a job and are waiting to start it in the next two weeks

The government also collects data on the claimant count which simply totals all those in receipt of Job Seekers Allowance. Those in receipt of JSA must declare that they:

- Are out of work
- Are capable of work
- Are available for work
- Have actively sought work in the week in which benefit is claimed.

Having determined the total numbers of unemployed the rate of unemployment is calculated by expressing this figure as a percentage of the labour force. The labour force is the total of those in employment plus those who are unemployed and actively seeking work.

*In June 2014 the UK unemployment rate was 6.4% or 2.08 million persons.*

**Level 1 ([1]–[3])**

Candidate provides little explanation of how the UK's rate of unemployment is measured. There may be vague references to "people without a job" but no economic analysis and quality of written communication is limited.

**Level 2 ([4]–[7])**

Candidate provides some explanation of how the UK's rate of unemployment is measured. There may be a reasonable explanation of how total unemployment is measured but no reference to calculating the rate of unemployment. Quality of written communication is satisfactory.

**Level 3 ([8]–[10])**

Candidate provides a clear and comprehensive explanation of how the UK's rate of unemployment is measured. This will include explanation for both total unemployment and the rate of unemployment. Quality of written communication is of a high standard. [10]

(b) A number of factors lie behind the UK's levels of unemployment. These include:

- Stagnation in the Eurozone has reduced demand for UK exports and curtailed the growth of aggregate demand
- Some benefit claimants are not actively seeking employment and so artificially inflate the unemployment figures
- A large informal economy has facilitated welfare fraud
- High levels of inwards migration have increased the supply of labour
- The UK continues to have a problem of low productivity and a skills gap.

**Level 1 ([1]–[5])**

Candidate provides little explanation of the causes of UK unemployment. There may be vague references to generalised causes of unemployment but these lack development and are not applied to the UK economy. Quality of written communication is limited.

**Level 2 ([6]–[10])**

Candidate provides some explanation of the causes of UK unemployment. However this is likely to be a generalised analysis of the causes of unemployment with only limited application to the UK economy. Quality of written communication is satisfactory.

**Level 3 ([11]–[15])**

Candidate provides a clear and comprehensive explanation of the causes of UK unemployment. There will be in-depth application to the UK economy and quality of written communication is of a high standard. [15]

- (c) Unemployment is that section of the work force which is without any type of job but is available for and actively seeking employment. *At present (Spring 2015) the UK level of unemployment is 1.91 million persons, representing 5.8 per cent of the working population.*

Economic inactivity is that section of the working age population which is not in employment and is not actively seeking employment. These persons are therefore not part of the working population.

*In the last quarter of 2014 there were just over 9 million economically inactive persons in the UK. This represents 23.5 per cent of the working age population. Northern Ireland has the highest rate of economic inactivity of all the UK's regions at 28.3 per cent*

Clearly in terms of numbers alone economic inactivity is much more significant than unemployment but this does not mean that it is a greater economic problem.

Unemployment is undesirable from any standpoint but some types of economic inactivity such as participation in full time education are economically and socially beneficial and should in the long run lead to an increase in productivity. However economic inactivity as a result of long term illness is a major economic problem.

The figures for unemployment do not include those in part time jobs but who are seeking full time employment. Hence the unemployment rate is not an accurate measure of spare capacity in the labour market.

The judgement as to whether economic inactivity is a greater economic problem than unemployment depends on the nature and causes of economic inactivity.

**Level 1 ([1]–[5])**

Candidate shows little understanding of economic inactivity and unemployment or of the differences between them. There is no explanation of the different types of economic inactivity and no significant evaluation of

the view that it is a greater economic problem than unemployment. Quality of written communication is limited.

**Level 2 ([6]–[10])**

Candidate shows some understanding of economic inactivity and unemployment and of the differences between them. There is a degree of explanation of the different types of economic inactivity and some evaluation of the view that it is a greater economic problem than unemployment. Quality of written communication is satisfactory.

**Level 3 ([11]–[15])**

Candidate shows a clear understanding of economic inactivity and unemployment and of the differences between them. There is a comprehensive explanation of the different types of economic inactivity and an in depth evaluation and judgement of the view that it is a greater economic problem than unemployment. Quality of written communication is of a high standard. [15]

AVAILABLE  
MARKS

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- 4 (a) Candidates should explain what is meant by an open economy with government and then explain the role of the economic agents within it.

These are:

- **Households** who sell factors of production to firms in return for income and who buy goods and services from firms.
- **Firms** who buy factors of production from households in return for income and who sell goods and services to households in return for consumer spending.
- **Financial institutions** which accept savings from households and make loans to firms to finance investment expenditure.
- **The government** which collects taxes and spends money in the economy. Much of this is received by firms such as book publishers who receive part of education spending.
- **The rest of the world** to which we sell exports and from which we buy imports.

The leakages from the circular flow consist of savings(s), taxation (t) and imports(m).

The injections into the circular flow consist of investment (I), government spending(g) and exports(x).

The economy's national income is said to be in equilibrium when leakages are equal to injections.

#### Level 1 ([1]–[3])

Candidate provides little explanation of the circular flow of income for an open economy with government. There may be vague references to money circulating or entering and leaving the economy but no significant explanation. Quality of written communication is limited.

#### Level 2 ([4]–[7])

Candidate provides some explanation of the circular flow of income for an open economy with government. The key economic agents and the relevant flows will be explained though this will be incomplete or contain errors. Quality of written communication is satisfactory.

#### Level 3 ([8]–[10])

Candidate provides a clear and comprehensive explanation of the circular flow of income for an open economy with government. The key economic agents and the relevant flows will be explained accurately and in some detail. Quality of written communication is of a high standard. [10]

- (b) In 2013 the UK had net inwards migration of 213 000, up from 177 000 in 2012. This has been the subject of considerable controversy and opinions are divided as to the impact on the UK economy.

#### Issues for analysis and evaluation include:

- Impact on aggregate supply. Since most migrants are likely to be of working age there will be an increase in the supply of labour and a rightward shift in the aggregate supply curve
- Impact on aggregate demand. This will be increased
- Impact on real GDP. Increases in both aggregate demand and aggregate supply will lead to an increase in real GDP, however the impact on GDP per capita is uncertain

- Impact on real wages. An increase in the supply of labour will probably have a negative impact on real wages
- Impact on productivity. Some economists argue that a large supply of relatively cheap labour provides a disincentive to firms to invest in new capital, hence hindering productivity growth. However there is some evidence that migrants are more likely to have a university degree than the indigenous population in which case migrants will enhance productivity
- Impact on dependency ratio. This is likely to be reduced as most migrants will tend to be of working age
- Impact on government finances. This is very difficult to assess. There will be extra expenditure in terms of translation costs, housing costs, education, health care and border security. However there will be extra revenue from income tax and VAT due to the increase in real GDP.

*Conclusion, Is the UK “overpopulated”?*

*By EU standards the UK is by no means the most densely populated country.*

Country	Population density per sq km 2012
UK	262
Belgium	367
Netherlands	408
Malta	1321

*However if we consider the figures for England alone then this view has more validity.*

Country	Population density per sq km 2012
England	411

*International comparisons beyond the EU give a much more complicated picture.*

Country	Population density per sq km 2012
Monaco	18 475
Singapore	7619
Hong Kong	6557
Norway	16
Russia	8
Iceland	3

So there is no clear answer to the question of whether or not the UK is over-populated.

**Level 1 ([1]–[5])**

Candidate provides little analysis of the impact of high levels of inwards migration upon the UK economy. There will be an anecdotal approach but little economic analysis and quality of written communication is limited.

**Level 2 ([6]–[10])**

Candidate provides some analysis of the impact of high levels of inwards migration upon the UK economy. A number of issues will be analysed, though this will be incomplete or contain errors. Quality of written communication is satisfactory.

**Level 3 ([11]–[15])**

Candidate provides a clear and comprehensive analysis of the impact of high levels of inwards migration upon the UK economy. Most key issues will be analysed accurately. Quality of written communication is of a high standard. [15]

- (c) Candidates should distinguish between long and short term growth. Short term growth can be achieved by expansionary demand side policies which eradicate an output gap and move the economy closer to its full employment potential. Long term growth requires an increase in the full employment potential of the economy. It can be shown by a rightward shift in the economy's LRAS or an outward movement in its PPF.

Long term growth requires either more resources or the more efficient use of existing resources.

There are a number of policies which the UK government could implement in order to increase the long term rate of economic growth:

- Increased expenditure on education and training. This should lead to a more skilled and productive workforce. However past increases in education spending have had only a marginal impact on educational attainment. They are extremely costly and may increase the government's budget deficit. There will also be a significant time lag before any increases in productivity are identified.
- Increased expenditure on infrastructure. This would include expenditure on airport expansion, high speed rail links and new motorways. These should reduce transport costs. However they will be extremely costly and may also have negative environmental impacts.
- Reductions in income and corporation tax.
- This increases work and investment incentives and may increase the level of FDI, however such changes may be regressive and increase inequality.
- Reduced and harder to obtain welfare benefits.
- This should increase work incentives but may be socially divisive and increase poverty.
- A programme of de-regulation.



- This would reduce the administrative burden on firms and make it easier for them to expand and create jobs. This would be welcomed by employers but probably not by workers who would see employment protection and health and safety legislation as central to their interests.
- An increase in the immigration of skilled workers. This would increase the productivity of our labour force. However it might be difficult to achieve and could face opposition from local workers and unions.

**Level 1 ([1]–[5])**

Candidate provides little critical examination of the policies which the UK government could implement in order to increase the economy’s long term rate of economic growth. There may be vague references to some policies but these are not developed. Quality of written communication is limited.

**Level 2 ([6]–[10])**

Candidate provides some critical examination of the policies which the UK government could implement in order to increase the economy’s long term rate of economic growth. There will be a degree of explanation of some policies but this may lack depth or contain errors. Quality of written communication is satisfactory.

**Level 3 ([11]–[15])**

Candidate provides an in depth critical examination of the policies which the UK government could implement in order to increase the economy’s long term rate of economic growth. There will be a clear explanation and assessment of a range of policies. Quality of written communication is of a high standard.

[15]

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**Total**

**80**

**AVAILABLE  
MARKS**