Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCE AS Level
in Economics (6EC02)

Paper 01 Managing the Economy

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.

- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.

- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.

- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.

- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.

- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.

- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.

- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Indicative Content	Mark
1 (a) (i)	KAA 4 marks, 1 mark for reference to weights, e.g. reflecting importance of goods in the basket Up to 3 marks for the following (1 mark for each): • Living Costs and Food Survey/Family expenditure survey • Price survey • Basket of goods • Approx. 650 goods • Calculated on an annual basis • Presented as an index value	**(4)**

Question Number	Indicative Content	Mark

1 (a) (ii)	KAA 8 marks:
	
	2 marks for reference to data, e.g. UK inflation fell from peak of approx.. 5% in 2012 to around 0% in 2015.
	
	1 mark for solely identifying a relevant point
	1 mark for limited development of this
	up to 2 further marks for clear analysis of this point
	
	Maximum 6/8 if no data reference.
	
	Award 2 reasons only. Do not double award.
	
	For example:
	   - Falling oil price
	   - Falling food prices
	   - Falling commodity prices
		(8)

Question Number	Indicative Content	Mark
1 (b)	KAA 8 2 marks for reference to data 1 mark for solely identifying a relevant point 1 mark for limited development of this up to 2 further marks for clear analysis of this point Maximum 6/8 if no data reference. For example: - falling consumption as consumers hold off purchases in expectation of further falls in price - falling prices becomes a cycle that it is hard for the economy to get out of - falling revenues for firms leading to falling profits - improved competitiveness & reduced current account deficit - increase in consumers' real income & therefore AD Evaluation 4 marks (2+2 or 4): - consumption is still high - magnitude of change in price level - only temporary situation - largely a suppy-side rather than demand-side problem	
		(12)

Level	Mark	Descriptor
Level 3	9-12	2 convincing reasons with at least one evaluative point
Level 2	5-8	2 convincing reasons with no connections, or 1 convincing impact with some good analysis but no evaluative point; 1 or 2 less-convincing impacts with some evaluation
Level 1	1-4	Identification of relevant reasons with or without brief evaluative keywords

Question Number	Answer	Mark
1 (c)	KAA 8 marks: 1 mark for solely identifying a relevant point 1 mark for limited development of this up to 2 further marks for clear analysis of this point For example: - rising mortgage costs reducing consumer confidence/spending - Strengthening of the currency making exports more expensive - Reduced business investment due to higher borrowing costs - Higher cost of servicing national debt	**(8)**

Question Number	Answer	Mark
1 (d)	2 marks for analysis of one point, e.g.: Aggregate supply increases due to reduced costs of production for firms, meaning they can now increase production Aggregate demand increases as consumers are now spending less on fuel and so have money to spend on other goods/services 2 marks for explaining the impact on price level and real output Up to 4 marks for AD/AS diagram consistent with analysis ; correct shift in line (1), lines labelled (1), axes labelled (price level and real GDP/output/income) (1), equilibria labelled (both original and new) (1). Evaluation 4 marks (2+2 or 4): - fall in oil prices may be only short-term - other factors affecting AD/AS - AS shifts more long-term - depends on magnitude of oil price change	**(12)**

Level	Mark	Descriptor
Level 3	9-12	1 convincing impact with AD/AS diagram, with at least one evaluative point
Level 2	5-8	1 convincing effect with evaluation but no/incorrect diagram, or 1 convincing impact with diagram but no evaluative point; less-convincing impact or diagram with some evaluation
Level 1	1-4	Identification of relevant impacts with or without brief evaluative keywords

Question Number	Indicative Content	Mark
*1 (e) **QWC i-iii**	KAA 6 App 2- reference to figure 3, e.g. Savings ratio has fallen from around 7% in July 2014 to around 4.5% in July 2015 4 marks for identification and some development of 2 reasons (2+2), e.g. - rising consumer confidence - falling interest rates - falling unemployment	**(6)**

Question Number	Answer	Mark
***1 (f)** **QWC i-iii**	Up to 6 marks • Identification of monetary, fiscal, or supply-side policy (maximum 2 marks) • Diagram showing AD shift and/or AS shift consistent with analysis; axes labelled (1), equilibria labelled (1), AD/AS lines labelled (1), correct shift (1). No marks for diagram if shift inconsistent with analysis. Explanation of how the policies might help return inflation to its 2% target 12 marks (3 x 4 marks or 2 x 6 marks); 1 mark for only an identification of a point, 2 marks for identification and very brief explanation, up to further 4 marks for analysis/development of the point • lower interest rates further/go into negative interest rates • lower interest rates leading to fall in value of the currency • Further quantitative easing • Increased government spending to boost AD and therefore price level • Lower taxes to encourage consumers and businesses to increase their spending, increasing AD • Improvements in infrastructure to make it cheaper/easier to export • Improvements in education to make workforce more highly skilled, boosting demand for UK exports Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks) • Reducing interest rates further is unlikely to have much of an impact on AD as they are already at a record low • High levels of national debt make expansionary fiscal policy impractical • Supply-side policies will take time to have an impact on the economy • Investments need to be targeted at the right infrastructure/education to have the desired impact **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	**(30)**

Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing points with at least two evaluative points (an evaluation points is worth up to a maximum of 6 marks
Level 3	19-24	2 or 3 convincing points with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing points with no evaluative point; 1 or 2 less-convincing effects with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

Question Number	Answer	Mark
2 (a) (i)	K2: Spending by consumers without taking inflation into account App 2: Accurate data reference to figure 1	**(4)**

Question Number	Answer	Mark
2 (a) (ii)	KAA 6 Up to 6 marks for identification and some development of 2 reasons (2+2 or 3+3), e.g. - boost UK exports - increase employment - diversify economy, reduce risk on specific sectors (e.g. financial services) App 2- relevant reference to the data or own knowledge	**(6)**

Question Number	Answer	Mark
*2 (a) (iii) QWC i-iii	KAA 8 marks 2 marks for analysis of one point, e.g.: Identification of the wealth effect only (1) Analysis of wealth effect (1) e.g. an increase in the value of houses that will increase householder's confidence and thus encourage them to consume more (and/or save less) Also award for discussion of other effects beside the wealth effect (2) e.g. impact on: • Mobility of labour • Unemployment • Budget deficit 2 marks for explaining the impact on price level and real output Up to 4 marks for diagram demonstrating rightward shift of AD; correct shift in line (1), lines labelled (1), axes labelled (price level and real GDP/output/income) (1), equilibria labelled (both original and new) (1). Note diagrams where the line shift is incorrect receive no marks. Maximum 6/8 if no diagram. Evaluation 4 marks (1 x 4 marks or 2 x 2 marks). Factors might include: • Houses are a significant component of consumers' wealth and effect a large proportion of households (approximately 65% owner occupied) in the UK which will therefore have a **major effect** in expanding AD • Significance of elasticity of AS curve and the state of the UK economy • Consumption is approximately 2/3 of aggregate demand which implies a strong inter-relationship • Wealth effects take some time to trigger spending changes • Other factors may be more important in generating confidence such as the strength of the global economy's recovery • Regional differences in impact • Effect on first-time buyers so may lead to their consumption falling **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	**(12)**

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Level 1	1-4	Identification of relevant reasons with or without brief evaluative keywords

Question Number	Answer	Mark
2 (b) (i)	KAA 8 marks: 2 marks for reference to data 1 mark for solely identifying a relevant point 1 mark for limited development of this up to 2 further marks for clear analysis of this point Maximum 6/8 if no data reference. Award 2 reasons only. Do not double award. For example: - Low interest rates fuelling rise in debt - Rising real incomes - Rising employment - Rising consumer confidence	**(8)**

Question Number	Indicative Content	Mark
2 (b) (ii)	KAA 8 marks: 1 mark for solely identifying a relevant point 1 mark for limited development of this up to 2 further marks for clear analysis of this point Award 2 reasons only. Do not double award. For example: - Creates a more unbalanced and unstable economy - Interest rates will rise at some point and consumers may not be able to afford increased borrowing costs - Worsens current account due to high marginal propensity to import	**(8)**

Question Number	Indicative Content	Mark

*2 (c)
QWC i-iii
	KAA 8
	
	Up to 4 marks for identification and explanation of each point. Award 2 points only.
	1 mark for only an identification of a point, 2 marks for identification and very brief explanation, further 2 marks for analysis/development of the point.
	
	For example:
	  - worsening current account deficit
	  - fall in aggregate demand
	  - rising unemployment
	Evaluation 4 marks (2+2 or 4):
	  - current account may not worsen if imports also fall
	  - relatively small fall in exports
	  - other factors also affect aggregate demand
	
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