



General Certificate of Secondary Education

Economics 3144

3144/2H Paper 2 Higher Tier

Mark Scheme

2005 examination – June series

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Economics - Paper Two, Higher Tier (3144/2H)

General Marking Guidance

While the task is structured in six parts, answers are to be marked holistically according to the following criteria/levels.

Start at the highest level for each criteria, and look at the candidate's response to see if you can identify evidence of achievement of that level. If you cannot find evidence of that level, move down to the next level. It is not necessary to obtain the lower levels below that which is actually rewarded. For many levels it is only necessary for candidates to show the applicable evidence once to be awarded in that level. There are some levels, however, where candidates need to show evidence more than once. This particularly applies where the term "consistently uses" is in the level descriptor.

Layout/style/structure not to be rewarded.

Guidance will be provided to examiners at the standardisation meeting on how to differentiate between the range of marks at each level.

Quantity may be misleading.

The Government has a budget deficit problem.

A budget deficit arises when government spending is greater than government income. The Government therefore has to finance the difference.

In 2003-2004 the budget deficit was £37 billion but this was predicted to grow to £42 billion in 2004-2005.

Your task

As an economist working for a national newspaper, you have collected the information given to you in the Information Leaflet.

Using the Information Leaflet, together with your own knowledge and understanding of economics, write a report for the national newspaper, which clearly explains the problems facing the Chancellor and which suggests the best way forward.

In your report, you should:

- outline the Government's main macroeconomic policy objectives;
- select which policy objective you think was likely to give the Government the greatest concern in 2004-2005. Explain your choice;
- describe the Government's budget position for 2003-2004;
- explain the problems which the Government faces with regard to the budget;
- discuss the effects of extra government expenditure on education and less expenditure on defence;
- recommend and discuss the possible ways in which the budget deficit could be reduced.

Your report will be assessed on your ability to:

use economic knowledge, show understanding and use information; (20 marks)

apply economic concepts and theories and use appropriate economic terminology and methods; (20 marks)

select, organise and interpret information; (20 marks)

evaluate evidence, make reasoned judgements and draw appropriate conclusions; (20 marks)

present information in a clear, legible and logical way; spell, punctuate and use the rules of grammar accurately; and enable the meaning of the text to be understood. (4 marks)

(Total: 84 marks)

Essay marking grid

Knowledge and Understanding and Use of Information		
Level 4	Substantial evidence of using economic knowledge and gathering of appropriate information to study the problem presented. Has assembled relevant evidence and shown very good understanding.	15-20 marks
Level 3	Has used economic knowledge in relation to the context of the problem. Has copied some material but has summarised and adopted other information. Demonstrates good understanding of evidence.	9-14 marks
Level 2	Some attempt to use economic knowledge gained in the course, but limited in its relevance. Most of the work is copied from source material and understanding is limited.	1-8 marks
Level 1	No relevant information presented.	0 marks

Application		
Level 4	Clear evidence of applying at least three economic concepts and theories appropriately to the problem. Precise use of economic terminology and methodology in addressing the problem.	15-20 marks
Level 3	Good attempt to apply economic concepts and/or terms to the problem. Demonstrates ability to apply at least two economic theories to the problem. Use of appropriate economic terminology and methodology with some success.	9-14 marks
Level 2	Some attempt made to apply at least one economic concept and/or theory and/or term to the problem, but a tendency to make unsupported generalisations.	1-8 marks
Level 1	No attempt made to apply economic knowledge to the problem.	0 marks

Select/Organise/Analyse and Interpret		
Level 4	Information/data has been selected in an effective way. The information selected has been well organised; at least three sources have been analysed. Evidence of interpretation of information/data, applicable to the problem has been clearly demonstrated.	15-20 marks
Level 3	Information/data has been selected and organised in an effective way. The information selected has been organised; at least two sources have been analysed. Begins to interpret information/data in relation to the problem.	9-14 marks
Level 2	Some evidence that data/information has been selected and organised. There is evidence of selection and organisation from at least one source. There has been some relevant analysis of the information used, but little or no interpretation has been carried out.	1-8 marks
Level 1	No attempt made to select, organise, analyse or interpret data.	0 marks

Evaluation/Judgement		
Level 4	Examines the problem and draws conclusions which are supported with evidence. Judgements and recommendations have been made, using economic knowledge from the course. There is good evaluation of evidence with some reasoned judgements.	15-20 marks
Level 3	Begins to examine critically and draw conclusions supported by some evidence with judgements and recommendations based on economic knowledge from the course. There is some relevant evaluation of evidence.	9-14 marks
Level 2	A limited attempt to draw conclusions and make reasoned judgements in an elementary way. There is some attempt to evaluate the evidence.	1-8 marks
Level 1	No attempt made to draw conclusions.	0 marks

Note: Max 18 marks for evaluation and judgement unless candidates evaluate and criticise the information provided.

Quality of Written Communication		
Level 4	Information is clearly and logically presented using an appropriate form. The text is legible. Candidates spell, punctuate and use the rules of grammar accurately, enabling the meaning to be clearly understood.	4 marks
Level 3	Information is presented in an appropriate form. The text is legible. Candidates generally spell, punctuate and use the rules of grammar accurately, although there may be some errors. The meaning is clear.	2-3 marks
Level 2	Some of the information presented is in an appropriate form. Generally the text is legible. Although there are errors in spelling, punctuation and grammar, candidates' meaning can be understood.	1 mark
Level 1	Candidates have failed to reach the standard required for the award of a mark.	0 marks

Examples of expected responses

1. Outline the Government's main macroeconomic policy objectives

- achieve a high rate of economic growth;
- keep inflation below 2.5%;
- keep unemployment down;
- achieve a satisfactory balance of payments position;
- reduce budget deficit.

2. Select which policy objective you think was likely to give the Government the greatest concern in 2004-05. Explain your answer.

- Expected rise in rate of inflation and the effects of higher inflation on the economy.

Or

- Unemployment rising by 1 million and the effects of that on the economy.

Or

- Higher economic growth – good for the economy in terms of increased standard of living – but bad harmful effects in terms of the environment and maybe inflationary.

3. Describe the Government's budget position for 2003-04.

- Government income is £423 billion but it spends £460 billion leaving a deficit of £37 billion. The Government is spending more than it is receiving from taxation and therefore has to borrow to finance the deficit. This borrowing is likely to rise in the future.

4. Explain the problems the Government faces with regard to the budget.

- Government receipts lower than expected due to slow down in economic growth and higher spending than expected due to wars in Afghanistan and Iraq and extra money to local authorities to curb council tax bills.
- Growth in the budget deficit from 2003 £27 billion to £37 billion in 2004-05.
- This means government spending is greater than government income and must be financed by borrowing.
- Government unwilling to raise taxes – after 60 rises in the past (Item E) and voters don't like them. The data suggests strongly that future tax rises are very likely.
- Government unwilling to cut expenditure – plans laid out for future years, much of it on NHS, education is highly desirable and why? (merit goods, public goods etc.)
- Problems with increasing taxes.
- Problems with cutting the deficit.

5. Discuss the effects of extra government expenditure on education and less expenditure on defence.

The data shows:

- Increased government expenditure education (+ 4 billion) but less on defence (-4 billion).

Arguments for extra expenditure on education:

- Education a merit good.
- Education benefits society as well as the individual.
- Economic benefits of a better educated work force.
- Positive externality.
- What if education provision is left to market forces?

Arguments for less expenditure on defence:

- Peace not war.
- Defence expenditure a waste of money.

But on the other hand:

- Iraq war and its aftermath.
- Growing international terrorism.
- Defence industry a vital provider for jobs.

Perhaps the cuts should be made elsewhere and why:

- Concept of opportunity cost.

6. Recommend and discuss the possible ways in which the budget deficit could be reduced.

Examples of expected responses

Raise taxes:

- already been a lot of taxes rises;
- this option maybe necessary later;
- not good news for voters;
- disincentive effects of higher taxes;
- which taxes to increase and why.

Cut spending;

- difficult as it is planned and announced years ahead;
- the public want higher/better standards of health, education, not less;
- increasing cost of healthcare due to new drugs, people living longer.

Candidates can suggest **any** possible solution to the budget deficit problem. Another possible strategy might be ‘let’s continue to borrow’ – but this might lead to higher interest rates and the effects of that. Also perhaps less money for the private sector to borrow. Again candidates must come up with a solution which is justified.