

# **Mark Scheme for June 2010**

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All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the Report on the Examination.

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Question			Expected Answer	Mark	Rationale/Additional Guidance
1	(a)	(i)	<p><b>Circle the year which had the fastest rate of economic growth.</b></p> <p>2004</p>	[1]	
		(ii)	<p><b>Circle the year which had the slowest rate of economic growth.</b></p> <p>2005</p>	[1]	Also accept 2006
	(b)		<p><b>Explain the difference between GDP and GDP per capita.</b></p> <p>An accurate definition of GDP eg total value of goods and services produced in a country (in a year) (2 marks), eg total incomes within the country in a year (2 marks).</p> <p>GDP per capita is per head or what each person on average receives, or reference to average person (1 mark)</p> <p>GDP is divided by the population in order to calculate GDP per capita. (1 mark)</p>	[4]	<p>Up to 2 marks for each explained.</p> <p>Where answers state wealth rather than income, this is incorrect.</p>

Question	Expected Answer	Mark	Rationale/Additional Guidance	
(c)	<p><b>Would the benefits of economic growth to the UK economy exceed the costs? Give reasons for your answer.</b></p> <p><b>Level 3 [5-6 marks]</b> Candidate evaluates whether growth has been beneficial to the UK, with some balance of argument.</p> <p><b>Level 2 [3-4 marks]</b> Candidate analyses possible benefits or costs of growth to the UK.</p> <p><b>Level 1 [1-2 marks]</b> Candidate demonstrates understanding of benefits or costs of growth to the UK.</p> <p><b>Indicative Content:</b> Economic growth would lead to higher material living standards (illustrations could be given), more jobs/employment opportunities, more revenue for government provision of services such as health and education. Costs could include more pollution, congestion, loss of open space, other environmental problems, possible inflationary pressures, problems of immigration attracted to the growing economy.</p>	[6]	<p>Reserve a L3 mark for sound answers with both sides of the issue.</p> <p>Annotate level in answer.</p>	
(d)	(i)	<p><b>State <u>two</u> policies which the government could use to achieve economic growth.</b></p> <p>1 mark for each policy. Accept both demand side policies, eg lower interest rates, budget deficits, and supply side policies eg education and training, incentives to invest, deregulation etc. (Accept subsidies).</p>	[2]	<p>Do not accept something which is not a government policy, eg new technology, new resources. No marks for simply 'fiscal policy' or 'monetary policy,' unless specified eg budget deficit in part (ii) in which case award the marks here.</p>

Question	Expected Answer	Mark	Rationale/Additional Guidance
	<p>(ii) <b>Discuss how successful these policies might be in achieving economic growth.</b></p> <p><b>Level 2 [3-6 marks]</b> Candidate makes a judgement on the likely success of the chosen policies. There should be some evaluation with regard to both policies for the candidate to be awarded maximum marks.</p> <p><b>Level 1 [1-2 marks]</b> Candidate demonstrates understanding of how the policies work.</p> <p><b>Indicative Content:</b> The specific content will depend upon the chosen policies. For demand side policies the effectiveness of the policies will depend upon the confidence or willingness of consumers or firms to spend any extra disposable income or react to lower interest rates. Policy could be inflationary. For supply side policies answers might refer to time lags.</p>	<b>[6]</b>	<p>Mark each policy out of 3 marks. I.e. 1 mark for basic explanation plus 1 mark for elaboration. 3<sup>rd</sup> mark requires evaluative comment.</p> <p>[NB no repeat mark from part (i)]</p> <p>Where more than 2 policies discussed, reward the best two.</p>
2	<p>(a) <b>Using Fig. 2 to illustrate your answer, explain what is meant by the rate of inflation.</b></p> <p>2 marks for the rate at which prices in general are rising (or similar), or some understanding of rising prices 1 mark plus 1 mark for reference to the data, eg 1 million % pa in Zimbabwe.</p>	<b>[2]</b>	<p>For definitions of inflation (not rate of inflation) 1 mark</p>
	<p>(b) <b>Identify and explain <u>two</u> causes of inflation</b></p> <p>1 mark for each of two causes identified from demand–pull, cost–push, imported inflation, monetary inflation. 1 mark for each explanation, eg more spending without more output pulls prices up; costs such as wages, fuels, rise and push up prices.</p>	<b>[4]</b>	

Question	Expected Answer	Mark	Rationale/Additional Guidance
(c)	<p><b>In the UK, the government sets a target rate of inflation of 2% per year. Explain how the UK government tries to achieve this low rate of inflation.</b></p> <p><b>Level 2 [3-6 marks]</b> Candidate explains policies to achieve a low rate of inflation in the context of the UK economy.</p> <p><b>Level 1 [1-3 marks]</b> Candidate demonstrates some understanding of policies to achieve a low rate of inflation.</p> <p><b>Indicative Content:</b> (The MPC of) the Bank of England is set the target rate of inflation, and uses interest rate policy to achieve this target. Reward candidates who explain <b>how</b> interest rates can keep inflation under control. Also reward candidates for explaining other policies including fiscal policy and supply side policies when in appropriate context of keeping low inflation, but must specify which, eg budget surplus.</p>	[6]	
(d)	<p><b>Discuss whether a high rate of inflation is a problem for an economy.</b></p> <p><b>Level 4 [7-8 marks]</b> Candidate evaluates the impact on the economy of high inflation. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the subject matter. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p><b>Level 3 [5-6 marks]</b> Candidate analyses the effects of high inflation. Relatively straightforward ideas have been expressed with some clarity and fluency. There may be some errors of spelling, punctuation and grammar, but these are unlikely to be obtrusive or obscure meaning.</p>		

Question	Expected Answer	Mark	Rationale/Additional Guidance
(d)	<p><b>Level 2 [3-4 marks]</b> Candidate understands the problems of high inflation in the context. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar, which may be noticeable and obtrusive.</p> <p><b>Level 1 [1-2 marks]</b> Candidate shows understanding of the effect of high inflation. May be in the form of a list. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar, of which some may be noticeable and obtrusive.</p> <p><b>Indicative content:</b> At Level 1, candidate understands that prices rocket and this may make goods and services too expensive for many people/they cannot afford as much. For Level 2 this should be applied to Zimbabwe or any other economy. The data shows the high price of a banana, and the need to print banknotes of greater value. Levels 3 and 4: menu costs, shoe leather costs, wage-price spiral, effects on competitiveness, balance of payments, employment, etc may be explained. Level 4 answers should have evaluation, eg point out that the hyperinflation is leading to a currency which is fast becoming worthless. Printing more notes is making it worse. It causes much real hardship. Also accept contrast with a low stable rate as evaluative comment.</p>	<b>[8]</b>	

Question		Expected Answer	Mark	Rationale/Additional Guidance
3	(a)	<p>Circle <u>two</u> types of unemployment which result from a manufacturing firm closing down.</p> <p>Regional, structural</p>	[2]	
	(b)	<p><b>Explain how the closure of a large manufacturing firm in the Midlands will lead to problems for the local community.</b></p> <p><b>Level 2 [3-4 marks]</b> Candidate draws a conclusion based on reasoned argument.</p> <p><b>Level 1 [1-2 marks]</b> Candidate demonstrates understanding of the issue in the context.</p> <p><b>Indicative Content:</b> The higher unemployment will lead to knock-on multiplier in reverse effects, so local businesses will receive less income and make workers unemployed. Some will close down. There may be adverse social effect such as increased crime. House prices could fall which is bad for current owners. As people move away, the area could become more depressed. Award marks for possible benefits eg fewer external costs.</p>	[4]	



Question	Expected Answer	Mark	Rationale/Additional Guidance
(c)	<p><b>Explain how the effects shown in Fig. 3 will change government spending and tax revenue.</b></p> <p><b>Level 2 [4-6 marks]</b> Candidate explains the effects in the context.</p> <p><b>Level 1 [1-3 marks]</b> Candidate demonstrates understanding of the effects of unemployment on tax revenue and government spending. Max. 3 marks for a list. Max. 1 mark for tax revenue down, spending up.</p> <p><b>Indicative content:</b> Direct tax revenue will fall as fewer workers are employed, income tax and NICs fall. Less consumer spending means less indirect tax revenue, VAT and duties. The firm has closed, so no more corporation tax, business rates from here. Government spending will rise on benefits such as job seekers' allowance, training schemes, etc.</p>	<b>[6]</b>	
(d)	<p><b>Explain <u>two</u> policies which the UK government could use to reduce unemployment, and discuss how effective you think each policy might be in achieving this objective.</b></p> <p><b>Level 4 [7-8 marks]</b> Candidate analyses and evaluates the chosen policies to reduce unemployment. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the subject matter. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p><b>Level 3 [5-6 marks]</b> Candidate analyses the chosen policy/or policies to reduce unemployment. Relatively straightforward ideas have been expressed with some clarity and fluency. There may be some errors of spelling punctuation and grammar but these are unlikely to be obtrusive or obscure meaning. Strong analysis of one policy can achieve 6 marks.</p>		<p>Mark each policy out of 4 marks. ie 1 mark for identification plus 2 mark for explanation/analysis. 4th mark requires evaluative comment.</p> <p>Where more than 2 policies discussed, reward the best two.</p>

Question	Expected Answer	Mark	Rationale/Additional Guidance
(d)	<p><b>Level 2 [3-4 marks]</b> Candidate names and explains a policy/policies to reduce unemployment. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar, which may be noticeable and obtrusive.</p> <p><b>Level 1 [1-2 marks]</b> Candidate identifies one or two policies to reduce unemployment. May be in the form of a list. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar, which may be noticeable and obtrusive</p> <p><b>Indicative content:</b> Policies could include fiscal policy budget deficit or components of it; interest rate policy lowering interest rates; supply side policies such as retraining incentives to new industries/firms, increasing incentives to work, eg by making benefits less generous etc. Accept raising NMW or lowering/abolishing NMW where justified by explanation. Evaluation could include eg conflict with other objectives, lack of jobs even if retrained, hardship if benefits cut, etc.</p>	<b>[8]</b>	
	<b>Total</b>	<b>[60]</b>	

Assessment Objectives Grid (includes QWC)				
Question	AO1	AO2	AO3	Total
1 (a) (i)		1		1
(ii)		1		1
(b)	4			4
(c)	1	1	4	6
(d) (i)	2			2
(d) (ii)	2		4	6
2 (a)	1	1		2
(b)	4			4
(c)	3	3		6
(d)	2	2	4	8
3 (a)		2		2
(b)		4		4
(c)	3	3		6
(d)		4	4	8
<b>Totals</b>	<b>22</b>	<b>22</b>	<b>16</b>	<b>60</b>

Target Grades Grid									
Question	*	A	B	C	D	E	F	G	
1 (a) (i)								1	1
(ii)								1	1
(b)			2	2					4
(c)					2	2		2	6
(d) (i)								2	2
(d) (ii)	2	2						2	6
2 (a)								2	2
(b)						2		2	4
(c)			2	2	2				6
(d)	2	2					2	2	8
3 (a)							2	2	4
(b)						2	2		4
(c)			2	2	2				6
(d)	2	2					2	2	8
<b>Totals</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>18</b>	<b>60</b>

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