

New
Specification



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2017**

Economics

Assessment Unit AS 2

assessing

Managing the National Economy

[SEC21]

MONDAY 22 MAY, MORNING

**MARK
SCHEME**

General Marking Instructions

Introduction

Mark schemes are published to assist teachers and students in their preparation for examinations. Through the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may help to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of students in schools and colleges.

The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes, therefore, are regarded as part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

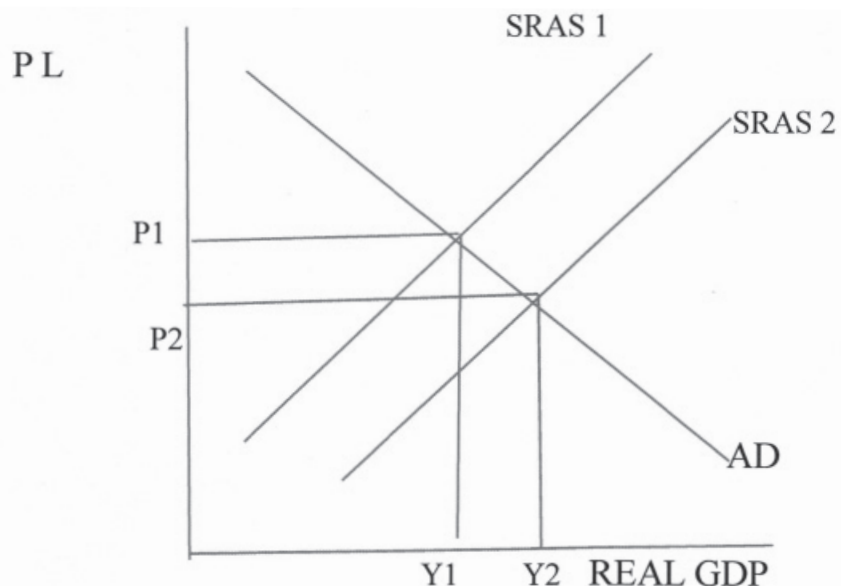
It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

Section A

			AVAILABLE MARKS
1	<p>(a) For accurate definition of output gap. [2] For explanation that the output gap in the diagram was £100b – £60b = £40(bn) [1]</p>	[3]	6
	<p>(b) For accurate explanation of expansionary fiscal policy. [1] Up to [2] for diagram showing rightward shift in aggregate demand curve and a new equilibrium with higher price level and higher real GDP. (Constrained max [3])</p>	[3]	
2	<p>(a) For correct calculation of level of economic inactivity showing it to be 9 million persons [2] For inaccurate calculation but correct methodology [1]</p>	[2]	4
	<p>(b) For correct calculation of rate of unemployment showing it to be 6.1 per cent [2] For inaccurate calculation but correct methodology [1]</p>	[2]	
3	<p>For accurate explanation of real interest rates. [2] For accurate calculation of the real rate of interest as nominal rate minus inflation rate: (–2.5%) [1] or by using deflator (–2.40)</p>	[3]	3
4	<p>For explanation of the figures for China and USA pointing out that China has a more unequal distribution of income than the USA [2]</p>	[2]	2
5	<p>Answers should include:</p> <ul style="list-style-type: none"> • Diagram to show outward shift in the demand for pounds leading to a higher equilibrium value. [2] • Explanation of how an increase in UK interest rates leads to an increase in the value of the pound. [2] 	[4]	4

6 Answers may include:

- 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.
- Falling prices may set in motion a deflationary spiral.



Credit will also be awarded for alternative approaches as outlined below.

- The fall in prices may cause a rise in real income and a rise in aggregate demand.
- There is likely to be a beneficial impact on the current account of the balance of payments.

Level 1 ([1]–[2])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts and models to the context of the question; some limited use of data and diagrams where relevant to address the issues in the question.
- Basic analysis; may lack focus.
- A low quality of written communication.

Level 2 ([3]–[4])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used reasonably to address the issues in the question.
- Good explanation in relation to the impact on economic agents; explanation may not be developed fully or may have some inaccuracy at times.
- A good quality of written communication.

Level 3 ([5]–[6])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used effectively to address the issues in the question.
- Well focused, relevant explanation used accurately and appropriately in relation to the impact on economic agents.
- An excellent quality of written communication.

All other valid responses will be given credit.

[6]

**AVAILABLE
MARKS**

6

Section B
Data Response

**AVAILABLE
MARKS**

7 (a) A good response [3] marks

Describes the data well, e.g. identifies trends and turning points, recognises that there are variations around the trend and supports this with a sense of scale.

The CPI rose steadily from 1 per cent in 2000 to around 3 per cent in 2007.

In 2008 it spiked sharply upwards to 5 per cent before dropping sharply in 2009 to around 1.1 per cent.

The period 2009/2011 saw inflation rise back to the 5 per cent level before resuming a downward trend from 2012 till 2014 and ending at a level of 0.6 per cent.

A basic response [1]–[2] marks

Mainly narrative: basic identification that the CPI goes up or down in specific years, some reference to variation around the trend. [3]

(b) Issues for analysis may include:

- Explanation of inflation target set for the Bank of England and the fact that inflation is currently below target
- Explanation of the impact of interest rates on aggregate demand and hence inflation – *monetary transmission mechanism*
- Explanation of low inflation expectations for 2015 onwards
- Appropriate diagrams
- Appropriate examples

Level 1 ([1]–[2])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts and models to the context of the question; some limited use of data and diagrams where relevant to address the issues in the question.
- Basic analysis; may lack focus.
- A low quality of written communication.

Level 2 ([3]–[5])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used reasonably to address the issues in the question.
- Good explanation in relation to the impact on economic agents; explanation may not be developed fully or may have some inaccuracy at times.
- A good quality of written communication.

Level 3 ([6]–[8])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used effectively to address the issues in the question.
- Well focused, relevant explanation used accurately and appropriately in relation to the impact on economic agents.
- An excellent quality of written communication.

All other valid responses will be given credit.

[8]

(c) Answers may include:

- Explanation of what is meant by the rate of inflation and how it is measured
- Explanation of impact of high value of pound on import costs esp from Eurozone
- Explanation of impact of lower oil prices on production costs in UK
- Explanation of impact of rise of discount supermarkets on retail prices
- Explanation of impact of inward migration on UK labour costs
- Appropriate diagrams

Level 1 ([1]–[3])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts and models to the context of the question; some limited use of data and diagrams where relevant to address the issues in the question.
- Basic analysis; may lack focus.
- A low quality of written communication.

Level 2 ([4]–[6])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models
- Good application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used reasonably to address the issues in the question.
- Good explanation in relation to the impact on economic agents; explanation may not be developed fully or may have some inaccuracy at times.
- A good quality of written communication.

Level 3 ([7]–[9])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used effectively to address the issues in the question.

- Well focused, relevant explanation used accurately and appropriately in relation to the impact on economic agents.
- An excellent quality of written communication.

All other valid responses will be given credit. [9]

(d) Answers may include:

- Explanation of impact of deflation on consumption and investment spending
- Explanation of impact of deflation on real value of debt
- Explanation of impact of deflation on desire to hold cash
- Explanation of long term impact of a deflationary spiral
- Explanation of costs of inflation, e.g. menu costs
- Reference to historical and international experiences
- Relative probabilities of inflation and deflation
- Comparison of the relative costs of inflation and deflation for the UK economy

Level 1 ([1]–[5])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts and models to the context of the question; some limited use of data and where relevant diagrams to address the issues in the question.
- Basic evaluation; evaluation may lack focus.
- Superficial judgements with little link to the issues in the question.
- A low quality of written communication.

Level 2 ([6]–[10])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant some reasonable use of data and diagrams to address the issues in the question.
- Good evaluation in relation to the impact on economic agents; analysis may not be developed fully or may have some inaccuracy at times.
- Reasonable judgements linked to issues in the question.
- A good quality of written communication.

Level 3 ([11]–[15])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant data and diagrams are used effectively to address the issues in the question.
- Well focused, relevant evaluation used accurately and appropriately in relation to the impact on economic agents.
- Informed judgements that directly address the issues in the question and reach clear conclusions based on evaluation.
- An excellent quality of written communication.

All other valid responses will be given credit. [15]

35

Section C Essays

AVAILABLE
MARKS

- 8 Answers may include:
- Explanation of the meaning of productivity and how it can be measured.
 - Explanation of impact of increased productivity on unit labour costs.
 - Explanation of increased productivity on economic growth and LRAS
 - Explanation that GDP growth can only come from population growth and/or productivity growth
 - Distribution of the benefits of increased productivity, returns to capital or returns to labour.

 - Long term benefits of increased productivity:
Paul Krugman, *“Productivity isn’t everything but in the long run it is almost everything”*.
These include:
Impact on balance of payments
Impact on labour market
Impact on living standards
Impact on government finances.

 - Comparison of benefits from increased productivity with the benefits from other government priorities, e.g. low inflation.
 - Explanation and evaluation of the policies which government could adopt to promote higher productivity.

Level 1 ([1]–[7])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts and models to the context of the question; some limited use of data and where relevant diagrams to address the issues in the question.
- Basic justification; justification may lack focus.
- Judgement(s) are unsupported.
- A low quality of written communication.

Level 2 ([8]–[14])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant some reasonable use of data and diagrams to address the issues in the question.
- Good justification in relation to the impact on economic agents; justification may not be developed fully or may have some inaccuracy at times.
- Reasonable judgements linked to issues in the question.
- A good quality of written communication.

Level 3 ([15]–[20])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.

- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant data and diagrams are used effectively to address the issues in the question.
- Well focused, relevant justification used accurately and appropriately in relation to the impact on economic agents.
- Informed judgements that directly address the issues in the question and reach clear conclusions based on the justification.
- An excellent quality of written communication.

All other valid responses will be given credit.

[20]

AVAILABLE
MARKS

- 9 Answers may include:
- Explanation of the impact of strong pound on net export component of aggregate demand.
 - Explanation of knock-on impact of reduced aggregate demand on the rest of the economy, e.g. reduced growth, increased unemployment.
 - Explanation of some of the benefits of a strong pound, e.g. reduced inflationary pressures.
 - Explanation and evaluation of the policies which the Bank of England could pursue in order to reduce the value of the pound.
 - Explanation of how events and policies in Eurozone are driving down the value of the euro.
 - Explanation of the impact of the strong pound on investment flows into and out of the UK.
 - Evaluation of the difficulties for the Bank of England in driving down the value of the pound.

Level 1 ([1]–[7])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts and models to the context of the question; some limited use of data and where relevant diagrams to address the issues in the question.
- Basic justification; justification may lack focus.
- Judgement(s) are unsupported.
- A low quality of written communication.

Level 2 ([8]–[14])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant some reasonable use of data and diagrams to address the issues in the question.
- Good justification in relation to the impact on economic agents; justification may not be developed fully or may have some inaccuracy at times.
- Reasonable judgements linked to issues in the question.
- A good quality of written communication.

Level 3 ([15]–[20])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant data and diagrams are used effectively to address the issues in the question.
- Well focused, relevant justification used accurately and appropriately in relation to the impact on economic agents.
- Informed judgements that directly address the issues in the question and reach clear conclusions based on the justification.
- An excellent quality of written communication.

All other valid responses will be given credit.

[20]

Total

**AVAILABLE
MARKS**

20

80