



*Rewarding Learning*

**General Certificate of Secondary Education  
2024**

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# **Economics**

Paper 2

**[G9282]**

**WEDNESDAY 29 MAY, MORNING**

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**MARK  
SCHEME**

## **General Marking Instructions**

### ***Introduction***

Mark schemes are intended to ensure that the GCSE examinations are marked consistently and fairly. The mark schemes provide markers with an indication of the nature and range of candidates' responses likely to be worthy of credit. They also set out the criteria which they should apply in allocating marks to candidates' responses.

### ***Assessment objectives***

Below are the assessment objectives for Economics.

Candidates must:

- AO1** recall, select and communicate their knowledge and understanding of concepts, issues and terminology;
- AO2** apply skills, knowledge and understanding in a variety of contexts; and
- AO3** analyse and evaluate evidence, make reasoned judgements and present appropriate conclusions.

### ***Quality of candidates' responses***

In marking the examination papers, examiners should be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 16-year-old which is the age at which the majority of candidates sit their GCSE examinations.

### ***Flexibility in marking***

Mark schemes are not intended to be totally prescriptive. No mark scheme can cover all the responses 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.

### ***Positive marking***

Examiners are encouraged to be positive in their marking, giving appropriate credit for what candidates know, understand and can do 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 of a 16-year-old GCSE candidate.

### ***Awarding zero marks***

Marks should only be awarded for valid responses and no marks should be awarded for an answer which is completely incorrect or inappropriate.

### ***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.

### ***Types of mark schemes***

Mark schemes for tasks or 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.

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.

### **Levels of response**

Tasks and 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.

### **Quality of written communication**

Quality of written communication is taken into account in assessing candidates' responses to all tasks and questions that require them to respond in extended written form. These tasks and 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.

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 selection and use of 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 selection and use of an appropriate form and style of writing. 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 clear.

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

- 1 (a) Using Figure 1, describe the trend in the CPI rate of inflation, between 2014 and 2022.

The key points shown in Figure 1 are:

- In 2014 CPI was 1.9% (starting rate)
- In 2022 CPI had increased to 10.1% (final rate)
- Between 2014 and 2020 CPI fluctuated between 0% and 3%
- Between 2021 and 2022 there has been an upward trend in CPI
- In 2014 CPI was 1.9%, by 2015 it had decreased to 0%.
- In 2018 CPI was 3%, by 2021 it had decreased to 0.5%.

Allow [1] for identifying starting rate, [1] for identifying final rate [1] for stating a decrease or an increase and [1] describing the trend.

Any other valid response will be credited.

(AO2: [4])

[4]

- (b) Explain one benefit and one drawback of the National Minimum Wage for businesses.

Benefit

- Provide an incentive to work – The National Minimum Wage, should lead to a higher wage. This increased incentive to work will lead to an increase in the supply of labour, which will benefit businesses.
- Increase consumer spending in an economy – There is an argument that the implementation of a National Minimum Wage could lead to an increase in consumer spending and business revenue.

Drawbacks

- Unemployment – A National Minimum wage will lead to a higher wage rate being paid to workers. This increases costs for businesses who may then have less incentive to employ as many workers. This could cause unemployment.
- Loss of competitiveness – A National Minimum Wage will lead to higher costs for firms. This increase in costs could lead to a rise in prices of their goods and services to maintain their profit margins. An increase in prices could lead to a loss of international competitiveness and therefore a decrease in demand for exports.

Any other valid response will be credited.

Allow [1] for identifying each factor and a further [2] for developing each explanation.

(2 × [3])

(AO1: [1], AO3: [2])

[6]

- (c) Use the formula provided to calculate the price elasticity of demand (PED) for the box of cereal. Show your calculations.

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$$\text{Formula: PED} = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$$

### Calculations

% change in quantity demanded = -2.5  
Award [1] for correct calculation

% change in price = 100  
Award [1] for correct calculation

$\text{PED} = -2.5/100 = -0.025$   
Award [1] for correct calculation

[3]

- (d) Explain the importance of PED for producers.

Understanding PED is important for producers because it helps them understand how changes in the price of their products will affect the demand and the total revenue generated. In short, it helps producers to decide whether to increase or decrease their prices in order to maximise total revenue.

The general rules are:

- Where a PED score is greater than (-)1, known as elastic, an increase in price will decrease TR, while a decrease in price will increase TR.
- Where a PED score is less than (-)1, known as inelastic, an increase in price will increase TR, while a decrease in price will decrease TR.

Any other valid response will be credited.

Allow [1] for a basic explanation and [3] for an appropriate explanation of the importance of PED for producers.

(AO3: [3])

[3]

- (e) Explain two roles that a trade union performs on behalf of its members.

Trade unions perform several roles for their members. These may include:

- Advocating for workers' rights and protections: Trade unions advocate on behalf of their members to promote policies and legislation that protect workers and improve their working conditions. This can include campaigning for higher minimum wages, safer working environments, and stronger protection against discrimination and harassment.
- Providing legal representation and support: Trade unions often provide legal representation and support to their members who encounter workplace issues, such as unfair dismissal, discrimination, or harassment. This can include offering legal advice, providing representation in court or at employment tribunals, and helping to negotiate settlements or other resolutions.
- Offering education and training opportunities: Trade unions often

provide education and training opportunities to their members, such as courses on workplace safety, labour laws, or leadership skills. These opportunities can help workers to improve their skills and knowledge, and to advance their careers.

- Providing financial support and services: Trade unions often provide financial support and services to their members, such as insurance plans, pension schemes, and credit union services. These services can help workers to save money, plan for the future, and access credit at affordable rates.

Any other valid responses will be credited.

Allow [2] for a clear and accurate description of a relevant trade union role or [1] for a flawed or partial description.

(2 × [2])

(AO1: [2]; AO3 [2])

[4]

**(f) Examine the costs of high inflation for individuals and firms.**

- Inflation reduces the spending power of households, especially those on fixed incomes. The cost of living is increasing at its fastest rate for 40 years.
- The real value of wages falls therefore consumers and households will be worse off. The ONS recently stated that average earnings growth is failing to keep pace with a rise in inflation. As the cost of goods and services increases, people may have to cut back on their spending or go into debt to afford the things they need. This can lead to financial stress and hardship for many households.
- If the general level of prices is rising and wages are not increasing or increasing at a slower rate than the rate of inflation, households will feel the pinch in terms of their everyday cost of living expenses and will have to adjust their spending plans. Some may maintain the same level of spending by running up debt or by using savings.
- There may also be a fall in demand for everyday essential items such as food and energy, and this may lead to extreme hardship for poorer groups.

Potential evaluation points:

- It depends on the current rate of inflation. At lower rates, the effects on spending and prices might be less noticeable than during periods of very high inflation.
- It depends on the type of job. Individuals whose wages don't increase with inflation, like those on fixed incomes, will struggle more than those whose earnings adjust with rising prices.
- It depends on the products being sold. It may be more likely that there will be a fall in demand for firms in sectors of the economy that sell 'luxuries'. Firms selling daily essentials might not see as big a drop in demand.
- It depends how firms and individuals respond. While inflation might cause immediate issues like higher prices, over time, firms and individuals might start to adapt by finding ways to save money such as by choosing cheaper alternatives.

Any other valid response will be credited.

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

**Level 1 ([1]–[3])**

The candidate demonstrates some understanding of the costs of high inflation for individuals and firms, but the answer is not well developed. Quality of written communication is limited.

**Level 2 ([4]–[6])**

The candidate demonstrates reasonable understanding of the costs of high inflation for individuals and firms. Quality of written communication is satisfactory.

**Level 3 ([7]–[10])**

The candidate demonstrates a thorough understanding of the costs of high inflation for individuals and firms. Quality of written communication is of a high standard.

(AO1: [3]; AO2: [2]; AO3: [5])

[10]

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30

- 2 (a) Using the information in Table 2, draw and label a supply and demand diagram for BP oil per barrel on the graph paper. Label the diagram carefully, including the market clearing (equilibrium) price and quantity.

Allow [1] for each of the following:

1. the vertical and horizontal axes correctly drawn and labelled
2. the demand curve plotted and labelled correctly
3. the supply curve plotted and labelled correctly
4. the equilibrium price identified at \$50
5. the equilibrium quantity as 170 units

(AO2: [5])

[5]

- (b) The quantity supplied decreases by 10 units at every price. On your diagram, show how this will affect the market clearing (equilibrium) price and quantity.

1. the new supply curve plotted and labelled correctly
2. the equilibrium price identified at \$55
3. the equilibrium quantity at 165 units.

(AO2: [3])

[3]

- (c) Explain two factors that may have caused the price of oil to change.

- War – The war in Ukraine meant that Russia, the world's largest exporter of oil to global markets, exported less oil which has reduced global supply, which has increased price.
- After Covid, the demand for oil increased causing price to rise.
- Changes in consumer demand or preferences: If consumer demand for oil decreases, or if consumers shift to using alternative energy sources, it can lead to a decrease in the supply of oil.
- Government policies or regulations: Governments can implement policies or regulations that limit the production or consumption of oil, such as by imposing taxes on oil producers or by promoting the use of renewable energy sources. This can lead to a decrease in the supply of oil.

Any other valid response will be credited.

Allow [1] for the correct explanation and [1] for illustrating this with a relevant example.

(2 × [2])

(AO1: [2]; AO2: [2])

[4]

- (d) Calculate the profit BP made in 2022.

£57 billion minus 37 billion = £20 billion

Allow [2] for the correct answer.

(AO2: [2])

[2]

(e) (i) *Explain one advantage of nationalising BP.*

- It would allow BP to operate more in the public interest with lower energy bills for households.
- Profits may flow to the taxpayer rather than to the shareholders of BP.
- The quality of the service may be better because the government, as the owner and operator of the firm, would have an interest in ensuring that the firm provides high-quality product/service.
- Employment protection as jobs in this industry could be protected by the government. [3]

(ii) *Explain one disadvantage of nationalising BP.*

- Nationalisation requires the government to pay a significant amount of money to acquire the company.
- Households may have to pay higher tax to fund the nationalisation of BP.
- Government owned firms may be less efficient because they don't have a profit maximisation objective.
- Some economists argue private sector businesses spend a lot of money on research and development and innovation due to the threat of competition. If BP is nationalised less money may be spent on research and development and innovation. [3]

Any other valid response will be credited.

Allow [1] for demonstrating knowledge and understanding and [2] for explanation.

(2 × [3])

(AO1: [2], AO3: [4])

[6]

(f) *Discuss whether the government should levy higher taxes on big companies such as BP.*

#### Advantages

- Higher taxes on big companies such as BP could generate additional revenue for the government, which could be used to fund public services.
- Higher taxes on big companies such as BP may help to reduce income inequality.
- Higher taxes on big companies such as BP could also encourage them to be more efficient and productive, as they would have to pay a larger share of their profits to the government. This could lead to improvements in the quality and value of the products or services provided by those companies.
- Higher taxes such as windfall taxes on big companies such as BP could help to reduce the negative externalities associated with certain industries, such as pollution or environmental degradation. By making those industries pay a higher share of the costs associated with their operations, the government could incentivise them to adopt more sustainable practices.

#### Disadvantages

- Firms may have to make workers redundant due to the increase in taxes.

- Firms will have more incentives to use tax avoidance schemes.
- Higher taxes on big companies such as BP could discourage investment and innovation, as companies would have less capital available to invest in new technologies, products, or services. This could reduce economic growth and make it more difficult for those companies to compete in the global marketplace.
- Higher taxes on big companies such as BP could also lead to job losses, as companies would have to reduce their costs to offset the higher taxes. This could result in layoffs and other forms of workforce reduction.
- Higher taxes on big companies such as BP could also increase the prices of goods and services provided by those companies, as companies may have to pass on some of the higher tax costs to their customers. This could lead to inflation and make it more difficult for consumers to afford the products and services they need.

Any other valid response will be credited.

**Level 0 [0]**

There is no content worthy of credit.

**Level 1 ([1]–[3])**

The candidate demonstrates some understanding of why governments should levy higher taxes but the explanation is not well developed. Quality of written communication is limited.

**Level 2 ([4]–[6])**

The candidate demonstrates a reasonable explanation of why governments should levy higher taxes. Quality of written communication is satisfactory.

**Level 3 ([7]–[10])**

The candidate demonstrates a thorough explanation of why governments should levy higher taxes. Quality of written communication is of a high standard.

(AO1: [3]; AO2: [2]; AO3: [5])

[10]

30

**Total**

**60**

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