A-level

Economics

Specimen Assessment Material   A-level Paper 2
Mark scheme

 7136/2
June 2015

Version/0.1: Specimen material

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

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' 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.

Further copies of this mark scheme are available from aqa.org.uk.

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows a description of the response at the middle of the level. There are marks in each level based on the division of the total number of marks for the question.

Before you apply the mark scheme to a student's answer, read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme, you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks will help with this. The exemplar materials used during standardisation will illustrate the performance needed to achieve a specific mark. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to **its overall quality**, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the assessment objectives (see page 22) and be careful not to over/under credit a particular skill. For example, in questions 4, 8, 10, 12 and 14 more weight should be given to AO4 and AO3 than to AO1 and AO2. This will be exemplified and reinforced as part of examiner training and standardisation.

Below is the levels of response marking grid to be used when marking any 25 mark questions.

Level of response	Response	Max 25 marks
5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21–25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16–20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.	**11–15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.	**6–10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.	**1–5 marks**

Section A   **Total for this Context: 40 marks**

Context 1

01	Using the data in **Extract A**, calculate, to the nearest £, the real GDP per capita of the UK in 2012 in pounds, assuming the pound to dollar exchange rate was £1 = $1.70.
	[2 marks]

Calculation:

$36 617 / 1.7 = £21 539

Response	Marks
For the correct answer with the £ sign and to nearest £	**2 marks**
For a correct answer but without the £ sign **and/or** not to nearest £	**1 mark**

MAXIMUM FOR QUESTION 01: 2 MARKS

02	*Explain how the data in **Extract A** show that a higher Real GDP per capita results in greater life expectancy*
	[4 marks]

Response:	Max 4 marks
• includes evidence that shows that a higher Real GDP per capita results in greater life expectancy • clearly explains how this data is evidence that a higher Real GDP per capita results in greater life expectancy	**4 marks**
• includes evidence that shows that a higher Real GDP per capita results in greater life expectancy • unclear explanation of how this data is evidence that a higher Real GDP per capita results in greater life expectancy	**3 marks**
• includes evidence that shows that a higher Real GDP per capita results in greater life expectancy • limited explanation of how this data is evidence that a higher Real GDP per capita results in greater life expectancy	**2 marks**
• includes evidence that does not clearly show that a higher Real GDP per capita results in greater life expectancy • no explanation of how this data is evidence that a higher Real GDP per capita results in greater life expectancy	**1 mark**

Relevant issues include:

- the Central African Republic has the lowest real GDP per capita ($932) and the lowest life expectancy (50 years)
- The only exception on the data is Ethiopia which has a lower real GDP per capita than Zambia but a higher life expectancy
- Reasons why, other things being equal, higher real GDP per capita might be expected to lead to a higher life expectancy

MAXIMUM FOR QUESTION 02: 4 MARKS

03	**Extract B** *(line 4)* argues: *'Economists can generally agree on the causes of economic growth such as investment, innovation and improvements in productivity'.* *With the help of a diagram, explain why investment can lead to increased economic growth* **[9 marks]**	

Level of response	An answer that:	Max 9 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	**7–9 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram.	**4–6 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	**1–3 marks**

An AD/AS diagram is expected, illustrating the possible effect of investment on AD and/or LRAS. A PPF diagram could also be used.

Relevant issues include:
- definition of economic growth; what is meant by investment
- impact of investment on capital stock
- impact of investment on LRAS
- impact of investment on productive capacity
- impact of investment on productivity and efficiency
- impact of investment on AD and possible multiplier effects

MAXIMUM FOR QUESTION 03: 9 MARKS

04   *Extract C (lines 6 – 8) argues that Africa's recent growth has been driven by the increasing production and export of commodities but remains far below the continent's potential for growth. Meaningful job creation is weak and is not tackling the high rates of poverty in many countries'.*

Using the data and your knowledge of economics, assess *the view that sustained economic growth is likely to improve living standards in African countries.*

[25 marks]

Areas for discussion include:

- concept of sustained economic growth
- differences between economic growth and economic development
- meaning of ' to improve living standards'
- difficulties in measuring living standards
- whether it is meaningful to discuss African countries in general
- analysis of the impact of growth on employment and income
- impact of growth on government finances and possible effects on living standards
- whether growth is likely to be sustainable
- costs of economic growth and their impact on living standards
- impact of policies that might stimulate growth
- different sources of economic growth
- the nature of the growth that is experienced and the type of output produced
- impact of population change
- whether growth results in a reduction or increase in inequality within and between countries

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 04: 25 MARKS

Section A
Context 2   **Total for this Context: 40 marks**

05	*Assume that in 2012 the net primary income balance was a deficit of £2,154 million and the net secondary income balance was a deficit of £23,055 million. Using the data in Extract D, calculate the current account balance for the UK for 2012.*
	[2 marks]

Calculation:

Balance on current account = -33,381m -2154m-23,055m = £58,590m deficit

Response	Marks
For a correct answer: £58,590 million deficit (accept negative number in place of deficit – or both)	**2 marks**
For the correct value but the no mention of deficit (e.g. £58,590 million) or wrong units (e.g. £58,590 deficit)	**1 mark**

MAXIMUM FOR QUESTION 05: 2 MARKS

06	Explain how *the data in **Extract D** show that increasing growth in real GDP frequently leads to an increased deficit in the balance of trade in goods and services.*
	[4 marks]

Response:	Max 4 marks
• includes evidence that shows that increasing growth in real GDP leads to an increased deficit in the balance of trade in goods and services. • clearly explains how this data is evidence that increasing growth in real GDP leads to an increased deficit in the balance of trade in goods and services.	**4 marks**
• includes evidence that shows that increasing growth in real GDP leads to an increased deficit in the balance of trade in goods and services. • unclear explanation of how this data is evidence that increasing growth in real GDP leads to an increased deficit in the balance of trade in goods and services..	**3 marks**
• includes evidence that shows that increasing growth in real GDP leads to an increased deficit in the balance of trade in goods and services. • limited explanation of how this data is evidence that increasing growth in real GDP leads to an increased deficit in the balance of trade in goods and services.	**2 marks**
• includes evidence that does not clearly show that increasing growth in real GDP leads to an increased deficit in the balance of trade in goods and services. • no explanation of how this data is evidence that increasing growth in real GDP leads to an increased deficit in the balance of trade in goods and services.	**1 mark**

Relevant issues include:

- biggest trade deficit £36, 733 million coincides with the fastest growth rate in GDP (3.4%) in 2007
- years of recession (negative growth in GDP) occur when the deficit on balance of trade in goods and services improves in both years (2008 and 2009)
- when growth picks up in 2010 (1.7% from -5.2% in 2009) the deficit on the balance of trade in goods and service deteriorates (£32 852 million from £23 373 million)
- why an increase in the rate of growth of GDP often leads to an increased deficit in the balance of trade in goods and services

MAXIMUM FOR QUESTION 06: 4 MARKS

07 **Extract E** *(lines 8–10) states that: 'The hope was that with sterling having lost about a quarter of its value since the financial crash 5 years ago, it would have boosted exports'.*

With the help of a diagram, explain how a boost to exports would help the recovery of the UK economy.

[9 marks]

Level of response	An answer that:	Max 9 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	**7–9 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram.	**4–6 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	**1–3 marks**

An AS/AD diagram is expected, showing a rightward shift of the AD curve.

Relevant issues include:

- meaning of recovery
- exports as a component of aggregate demand
- impact on output and employment in the export-producing sectors
- export-led multiplier effects
- possible accelerator effects

MAXIMUM FOR QUESTION 07: 9 MARKS

08   *Extract F (lines 21–23) states 'The U.K.'s large current-account deficit cannot be ignored easily and research shows that large current account deficits eventually are reduced through some combination of slower growth and currency depreciation'.*

Using the data in the extracts and your knowledge of economics, evaluate the significance of a continued deficit on the current account of the balance of payments for the UK economy.

[25 marks]

Areas for discussion include:

- nature and size of the UK current account deficit in recent years
- why large current account deficits are seen as undesirable, e.g. indicate a lack of competitiveness
- potential benefits of running a current account deficit, e.g. improves living standards in the short run, inflows of FDI to finance the deficit may stimulate growth
- current account deficit has to be financed in some way – either by attracting foreign direct or portfolio investment, by borrowing or by running down reserves.
- policies to correct the deficit are not necessarily desirable, either depreciation of the currency or deflationary policies
- large current account deficit may be seen as unsustainable and foreign lenders may eventually withdraw their investment, leading to a sterling crisis
- if deflationary measures are needed to reduce deficit and this would usually be undesirable due to the effects on output and employment
- so far, long periods of current account deficit do not seem to have been a barrier to achieving other policy objectives
- the changing size of the deficit could be compared to growth, e.g. if the growth of nominal GDP is higher than growth in the deficit then it is less likely to be a serious problem
- UK is relatively successful in attracting overseas investment due to other factors (e.g. low tax rates, viewed as a stable economy) which means that the deficit can be financed.
- a floating exchange rate mean that the government can allow exchange rate to depreciate allowing partial correction of current account deficit – this option is not available to those with a fixed or pegged currency

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 08: 25 MARKS

SECTION B

Below is the levels of response marking grid which should be used to mark the 15 mark questions

Level of response	Response	Max 15 marks
3	**A good response provides an answer that:** • is well organised and develops a selection of the key issues that are relevant to the question • shows sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning.	**11–15 marks**
2	**A reasonable response provides an answer that:** • focuses on issues that are relevant to the question • shows satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places.	**6–10 marks**
1	**A weak response provides an answer that:** • has identified one or more relevant issues • has some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • has very limited application of relevant economic principles to the given context and/or data to the question • might have some limited analysis but it may lack focus and/or become confused.	**1–5 marks**

Essay 1   **Total for this Essay: 40 marks**

09	*Explain why deflation may occur in an economy.*	
		[15 marks]

Relevant issues include:

- lower AD leading to a fall in the price level
- reduction in consumer confidence and spending
- lower business confidence and investment
- price cutting by firms in a period of recession
- recession/deflation in the rest of the world
- falling world commodity prices
- strengthening exchange rate
- technological breakthroughs lowering costs of production
- impact of cheaper imports from low waged economies
- malign v benign deflation

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 13 to award students marks for this question.

MAXIMUM FOR QUESTION 09: 15 MARKS

10   *Evaluate the view that the UK government should give higher priority to preventing deflation rather than controlling inflation.*

[25 marks]

Areas for discussion include:

- UK experience of recent years
- definitions of inflation and deflation
- why price stability is a key objective
- impact of inflation on UK competitiveness
- impact on growth/employment/trade
- the distributional impact of inflation and deflation
- mild v high inflation
- impact of anti-inflationary policies on the economy
- why deflation may lead to even lower spending by consumers/firms
- impact of deflation on the real value of both public and private sector debt
- impact on confidence of households and firms
- effect on business profits
- benefits of deflation
- impact on other macroeconomic objectives
- malign v benign deflation
- policy options to deal with deflation
- extent and magnitude of each problem
- reference to other economies, e.g. Japan, EU , including differences between the situation in the UK and other economies

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 10: 25 MARKS

Essay 2   **Total for this Essay: 40 marks**

11	*Explain why low unemployment is a key objective of economic policy for the UK and most other governments.*

Relevant issues include:

- definition of unemployment
- voluntary and involuntary unemployment
- why some unemployment is inevitable
- UK unemployment levels in recent years
- unemployment leads to a loss of output and is a waste of scarce resources
- unemployment and living standards
- benefits of reduced unemployment on the tax and welfare expenditure of government
- unemployment and inequality
- benefits of reduced unemployment on social cohesion
- personal costs of a period of prolonged unemployment
- problem of long-term unemployment, eg hysteresis
- conflict of reducing unemployment with other macroeconomic objectives, eg growth and inflation

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 13 to award students marks for this question.

MAXIMUM FOR QUESTION 11: 15 MARKS

<table>
<tr><td>**12**</td><td>*Evaluate the view that a policy of budget deficit reduction will make it harder to reduce unemployment further.*

[25 marks]</td></tr>
</table>

Areas for discussion include:

- definitions of unemployment and deficit reduction
- different types of unemployment
- policies that can be used to reduce unemployment
- methods by which deficit can be reduced, eg tax increases and/or spending cuts by the government
- reasons for current deficit-reduction policy
- effects of deficit reduction on aggregate demand, output and employment
- multiplier effects
- how different methods of reducing the deficit will affect unemployment, e.g. tax increases, cuts in welfare, cuts in direct government spending on goods and services
- recent changes in unemployment in the UK
- supply-side policies can help to reduce unemployment
- how a reduction in the deficit can affect different types of unemployment
- how other components of AD may rise as the government's contribution to AD falls
- factors that may boost AD to replace the effect of lost government expenditure, eg crowding-in effects
- size and pace of any planned deficit reduction
- cuts in government expenditure may or may not fall on areas that affect employment significantly
- time lag between the deficit-reduction policy and the effect on employment
- the impact of events in the rest of the world
- the impact of changes in the sterling exchange rate
- monetary policy may help to offset policy of deficit reduction, eg low UK interest rates and unconventional monetary policy measures have supported the expansion of AD since 2008/9

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 12: 25 MARKS

Essay 3   **Total for this Essay: 40 marks**

13	*Examine why international trade has benefited UK consumers.*
	[15 marks]

Relevant issues include:

- definition of international trade
- absolute and comparative advantage
- benefits of comparative advantage as long as trade occurs at a mutually beneficial terms of trade
- numerical example to illustrate the principle of comparative advantage
- international trade allows specialisation so countries can benefit from more efficient production which should mean more jobs and cheaper prices for consumers
- availability of consumer goods that cannot be easily produced in UK
- increased choice for consumers which should lead to lower prices and higher quality products
- helps to prevent domestic firms with monopoly power exploiting consumers
- the dynamic effects of international trade on domestic producers, eg through increased competition stimulating improvements in productivity and innovation

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 13 to award students marks for this question.

MAXIMUM FOR QUESTION 13: 15 MARKS

14 *Discuss the view that protectionist policies should be introduced to protect UK firms.*

[25 marks]

Areas for discussion include:

- definitions of free trade and protectionist policy in context of international trade
- types of protectionist policy
- potential benefits gained through protectionist policies e.g in relation to growth, jobs the current account of the balance of payments
- the growing UK current account deficit; has been at record levels as a percentage of GDP
- businesses may find it hard to compete against low-cost foreign competition
- improvements in technology, transport etc. make it easier for consumers to buy from abroad
- impact of international trade on government objectives for jobs and the current account balance
- cheaper labour overseas makes it hard for UK businesses to compete on price
- cheap labour is just another form of comparative advantage and should not be seen as unfair
- arguments to justify protection, e.g. infant industry, job protection, prevention of dumping
- membership of the WTO makes it very difficult for the UK to adopt protectionist policies
- EU membership means severe limitations on what protectionist measures can be introduced
- protectionist policies are likely to lead to retaliation from other countries no real evidence that protectionist policies work in long-run – countries with highly protected industries have not outperformed those with more open economies
- discussion of alternatives to protectionism, eg allowing the exchange rate to fall international trade may make it easier to achieve some government objectives, e.g. low inflation and high productivity

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 14: 25 MARKS

Assessment objectives

	A01	A02	A03	A04	TOTAL
Section A					
Context 1					
1	1	1			**2**
2	1	2	1		**4**
3	2	4	3		**9**
4	4	4	7	10	**25**
Context 2					
5	1	1			**2**
6	1	2	1		**4**
7	2	4	3		**9**
8	4	4	7	10	**25**
Section B					
9	4	4	7		**15**
10	4	4	7	10	**25**
11	4	4	7		**15**
12	4	4	7	10	**25**
13	4	4	7		**15**
14	4	4	7	10	**25**
DRQ total	8	11	11	10	**40**
Essay total	8	8	14	10	**40**
Paper total	**16**	**19**	**25**	**20**	**80**