GCSE

Economics

J205/02: National and international economics

General Certificate of Secondary Education

Mark Scheme for June 2024

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

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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MARKING INSTRUCTIONS

PREPARATION FOR MARKING

RM ASSESSOR

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Online Training*; *OCR Essential Guide to Marking*.

2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal http://www.rm.com/support/ca

3. Log-in to RM Assessor and mark the **required number** of practice responses ("scripts") and the **number of required** standardisation responses.

   YOU MUST MARK 10 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

MARKING

1. Mark strictly to the mark scheme.

2. Marks awarded must relate directly to the marking criteria.

3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% (traditional 40% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.

4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM Assessor messaging system, or by email.

5. **Crossed Out Responses**
   Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

   Multiple Choice Question Responses
   When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).
   When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.

Contradictory Responses
When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)
Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)
If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)
Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there, then add a tick to confirm that the work has been seen.

7. Award No Response (NR) if:
   • there is nothing written in the answer space

   Award Zero '0' if:
   • anything is written in the answer space and is not worthy of credit (this includes text and symbols).

   Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

8.   The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**
      If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.

9.   Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

10.   For answers marked by levels of response:
      a. **To determine the level** – start at the highest level and work down until you reach the level that matches the answer
      b. **To determine the mark within the level**, consider the following

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

11. **Annotations**
    These are the annotations, (including abbreviations), including those used in RM Assessor.
    Please annotate **every** response, even if no credit is given. All non-levels Qs, the number of ticks must match the mark awarded.
    For levels Qs the highest level must be annotated e.g. L3. For answers given L4, also annotate where L3 is within that answer.
    Use ticks on levels answers if this aids your marking. **The number of ticks must never exceed the number of marks awarded.**

Annotations

Annotation	Meaning
✔	Tick
✖	Cross
❓	Unclear
BOD	Benefit of the doubt
IR	Irrelevant
L1	Level one
L2	Level two
L3	Level three
NAQ	Not answered question
OFR	Own figure rule
SEEN	Noted but no credit given (use on every question when NR is the mark)
TV	Too vague
∧	Omission mark
BP	Blank page (use on every blank page)

Highlighting is also available to highlight any particular points on the script.

12. **Subject Specific Marking Instructions**

Levels of response / Level descriptors	Knowledge and understanding	Application	Analysis	Evaluation
Good	**Good** knowledge and understanding of the theory stated or referred to in the question. All of the terms/theoretical concepts are explicitly or implicitly understood.	**Good** application of knowledge to a given scenario. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.	**Good** analysis of the effect of xxxx. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.	**Good** evaluation with a fully supported judgement that is developed from a weighing up arguments/both sides/comparing alternatives.
Reasonable	**Reasonable** knowledge and understanding of the theory stated or referred to in the question. Most of the terms/theoretical concepts are explicitly or implicitly understood.	**Reasonable** application of knowledge to a given scenario. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario.	**Reasonable** analysis of the effect on xxxx. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be improperly labelled or not linked to the analysis.	**Reasonable** evaluation of xxx considering arguments/both sides/comparing alternatives. There may be a judgement, but this will not be fully supported.
Limited	**Limited** knowledge and understanding of the theory stated or referred to in the question. Some of the terms/theoretical concepts are explicitly or implicitly understood.	**Limited** application of knowledge to a given scenario. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.	**Limited** analysis of the effect on xxxx. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.	**Limited** evaluation of xxx that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements.

SECTION A

Question	Key	AO	Quantitative skills
1	D	AO1a	
2	A	AO1a	
3	B	AO2	
4	D	AO1b	
5	C	AO2	Yes
6	A	AO1b	
7	B	AO1b	
8	B	AO2	Yes
9	B	AO2	
10	D	AO1b	
11	C	AO1b	
12	A	AO1a	
13	C	AO2	Yes
14	A	AO1b	
15	C	AO1b	
16	B	AO1b	
17	D	AO1b	
18	D	AO2	Yes
19	D	AO1b	
20	A	AO2	

Question			Answer	Mark	Guidance
21	(a)		**Using Extract 1, explain the trend in the UK unemployment rate between 2008 and 2011.** **Answers may include:** Unemployment was rising [1] due to: [1] • Decline in economic growth / a recession • A lack of (total) demand, which lead to fewer job opportunities / vacancies • When unemployment rose, incomes fell, which lead to total demand contracting further and so unemployment continued to rise • The global financial crisis led to business and consumer confidence falling, so workers were being laid off • A lack of investment (in manufacturing industries and services)/decline in manufacturing	2 AO2	1 mark for stating that unemployment was rising 1 additional mark for one of the bullet points.
21	(b)		**Using Extract 1, calculate the unemployment rate in Northern Ireland.** **Show your working.** $$\frac{26}{877} \times 100 = 2.96446522$$ **Answer:** **2.96446522**% **OR** **2.96%**	2 AO2	2 marks for the correct answer (working not required) 1 mark for correct working, but incorrect answer 1 mark only if the % sign is omitted

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	Question		Answer	Mark	Guidance
21	**(c)**		**Using the information in Extract 1, analyse how the changes in the UK unemployment rate between 2011 and 2018 might have affected the government's budget.** **Knowledge and understanding that:** • The budget is calculated by the difference between government spending and tax revenue. • Unemployment occurs when output (GDP) falls • Unemployment rate is proportion of workforce not working (or similar definition) **Reference to the extract:** • Unemployment peaked in 2011 at about 8% • Unemployment fell from (2012-2018 to about 4%) • UK economy was experiencing a boom/recovery during this period, as shown by the unemployment rate falling **Development of reasoning linking lower unemployment rate to government budget:** Fewer unemployed results in • Fewer people need / are eligible for unemployment benefits • Fewer people need welfare benefits >>so government spending falls More people in employment results in • Tax revenue rising from direct taxes / income tax / national insurance • Higher incomes may mean consumer spending rises so tax revenue from indirect taxes / VAT rises. >>so government revenue rises	**6** 1 AO1a 2 AO2 3 AO3a	*All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.* **Level 3 (5-6 marks)** (AO1a – 1, AO2 – 2 marks, AO3a – 3 marks = 6 marks) **Reasonable** knowledge and understanding. All of the terms/theoretical concepts are explicitly or implicitly understood. **Reasonable** application of knowledge about the budget. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario. **Good** analysis of the budget. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and **linked to the analysis**. **Level 2 (3-4 marks)** (AO1a – 1 mark, AO2 – 1 mark, AO3a – 2 marks = 4 marks) **Reasonable** knowledge and understanding. Most of the terms/theoretical concepts are explicitly or implicitly understood. **Limited** application of knowledge about the budget. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.

Question			Answer	Mark	Guidance
			Overall budget impact: rising tax revenue and falling government spending led to a smaller budget deficit / larger budget surplus. **N.B** **1. In order to reach Level 3, there must be reference to the data in the table (AO2)** **2. If there is no analysis (AO3a), then application (AO2) cannot be rewarded.**		**Reasonable** analysis of the budget. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis. **Level 1 (1-2 marks)** (AO1a – 1 mark, AO2 – 0 marks, AO3a – 1 mark = 2 marks) **Reasonable** knowledge and understanding. Some of the terms/theoretical concepts are explicitly or implicitly understood. **No** application of knowledge about the budget. There is an attempt to use/adapt/change the terms/theoretical concepts in the context. **Limited** analysis of the budget. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis. **0 marks** No work worthy of credit. **N.B**. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.

Question			Answer	Mark	Guidance
21	(d)	(i)	**Explain what is meant by structural unemployment**.	2	
			Answers may include:	AO1b	1 mark for stating a mismatch (or long term) unemployment
			An industry declining [1] leading to a mismatch between a worker's skills and job vacancies [1] or vice versa		AND
					1 mark for stating that an industry/sector has declined
			Examples of further development:		OR
			• Geographically immobile workers (cannot move to areas with more opportunities)		1 additional mark for one of the bullet points.
			• Lack of retraining opportunities		
			• Long-term unemployment		Not due to recession or cyclical factors, so long term
21	(d)	(ii)	**State two other types of unemployment.**	2	
			Answers may include:	AO1a	1 mark for each correct answer up to a total of 2 marks.
			1. Frictional unemployment		The terminology may be different, but if knowledge is evident, then the mark should be awarded.
			2. Cyclical unemployment		
			3. Seasonal unemployment		
			4. Technological unemployment		
			5. Voluntary unemployment		
			6. Regional		
			7. Classical/real-wage		

Question			Answer	Mark	Guidance
21	(d)	(iii)*	**Evaluate the consequences of unemployment for producers in the North East of England**. **Use the information given in Extract 1 and your own knowledge.** **Reference to Extract 1 or context (just [1] AO2):** Examples include: • Unemployment rate is higher in the North East than the national average (4.2% > 3.6%) • Economically inactive rate is higher than the average (25.2% > 21.2%) • Investment has been lacking • Unemployment appears to be structural and long term • Manufacturing industries have been declining • Workers cannot move easily between regions when seeking jobs • To the North East **For producers:** • The presently unemployed will need additional training since their skill set has been lost while unemployed which increases costs • A depressed local economy means less demand for goods and services which reduces revenue/profits • Economically inactive rate is higher than the average, (which shows that many have become discouraged workers outside the workforce) which decreases productivity/output	6 1 AO2 2 AO3a 3 AO3b	*All level descriptors describe the **TOP** of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.* **Level 3 (5-6 marks)** (AO2 – 1, AO3a – 2 marks, AO3b – 3 marks = 6 marks) **Good** application of knowledge about unemployment. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario. **Reasonable** analysis of unemployment. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis. **Good** evaluation of unemployment with a fully supported judgement that is developed from weighing up arguments/both sides/comparing alternatives. *There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.* **Level 2 (3-4 marks)** *There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.* (AO2 – 1, AO3a – 1 mark, AO3b – 2 marks = 4 marks) **Good** application of knowledge unemployment. The terms/theoretical concepts are used/adapted/changed in

Question	Answer	Mark	Guidance
	But (likely benefits) Since there is a relatively high rate of unemployment in the North East, the supply of labour is greater than its demand, so employers may benefit from lower wage rates & lower costs/higher profits Government support (training and infrastructure) could generate new opportunities in manufacturing and services and therefore reduce costs/increase profits May not be that affected if due to mechanisation/exporting industry **Final judgement:** - As to whether the benefits are likely to outweigh the costs (depending on their significance or duration.) - Short, medium and long-term effects are different. - Final judgement on whether the benefits are greater than the costs expressed clearly. **1. If there is no analysis/evaluation, then application (AO2) cannot be rewarded.** **2. In order to reach Level 3, there must be Application (AO2), Analysis (AO3a) and Evaluation (AO3b)**		the context of the given scenario. There is good understanding of all the relevant elements of the scenario. **Limited** analysis of unemployment. There is an attempt at an analysis largely in the form of a single effect. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, are unlikely to be correct and not linked to the analysis. **Reasonable** evaluation of unemployment, considering arguments/both sides/comparing alternatives. There may be a judgement but this will not be fully supported. *There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.* **Level 1 (1-2 marks)** (AO2 – 0 marks, AO3a – 1 mark, AO3b – 1 mark = 2 marks) **No** application of knowledge about unemployment. There is an attempt to use/adapt/change the terms/theoretical concepts in the context. **Limited** analysis of unemployment. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis. **Limited** evaluation of unemployment that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements.

Question			Answer	Mark	Guidance
					Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence. **0 marks** No work worthy of credit. **N.B.** Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.
22	(a)		**Using Extract 2, calculate the percentage of total net income in 2021 that is received by the richest 40% of the Indonesian population.** **Show your working.** Top fifth 45 + fourth fifth 22 = 67 **Answer: 67% OR 67**	2 AO2	2 marks for a correct answer (working not required) 1 mark for correct working, but incorrect answer No mark lost if % sign or word omitted, since the question asked for "percentage".

	Question		Answer	Mark	Guidance
22	**(b)**		**Using Extract 2, explain how the distribution of income in Indonesia has changed from 2002 to 2021.** **Answers may include:** Income distribution has become more unequal/unfair **[1]** As shown by: [1] • Top fifth (20%) share has increased (from 40% to 45%) • Lowest fifth share has fallen (from 9% to 7%)	**2** AO2	1 mark for stating that the income distribution became more unequal, without referring to the data. 1 mark for using data 2 marks for a correctly explained answer Candidates cannot copy directly from the text in the extract
22	**(c)**		**Using the information in Extract 2, analyse how a decrease in direct taxes can affect the Indonesian economy.** **Knowledge and understanding:** • Direct taxes reduce disposable income • (Whereas indirect taxes are placed on spending on goods and services e.g. VAT) • Tax revenue is used for public investment in infrastructure as well as for transfer payments and public services **Reference to the extract:** • Taxes are a tool of fiscal/supply-side policy • Income and wealth are not distributed equally • (Direct) taxes are used for benefits/public services • Reference to Indonesia	**6** 1 AO1a 2 AO2 3 AO3a	*All level descriptors describe the __TOP__ of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.* **Level 3 (5-6 marks)** (AO1a – 1, AO2 – 2 marks, AO3a – 3 marks = 6 marks) **Reasonable** knowledge and understanding of taxes. All of the terms/theoretical concepts are explicitly or implicitly understood. **Reasonable** application of knowledge to taxes. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario. **Good** analysis of taxes. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis. **Level 2 (3-4 marks)**

Question			Answer	Mark	Guidance
			Development of reasoning linking lower taxes to overall economy: When the government decreases direct taxes • Disposable (household) income rises, which leads to higher consumption and higher total demand • As net incomes increase/total spending increases then prices & (demand-pull) inflation will too • Corporate profits are higher, which may lead to more (capital) investment and, therefore, productivity is higher • Net income distribution may become more unequal • Disposable (household) income rises, which leads to higher consumption and therefore higher import/deterioration of current account • It may encourage people to work (longer/more) and be more productive/increase output **>>so overall economic growth may be higher and Inflation rate may rise** Tax revenue is lower, so • Budget deficit is larger, so more government borrowing, which may lead to higher interest rates **Any other relevant points are to be credited.** **N.B.** **1. In order to reach Level 3 there must be reference to information in the Extract or context.** **2. If there is no analysis (AO3a), then application (AO2) cannot be rewarded.**		(AO1a – 1 mark, AO2 – 1 mark, AO3a – 2 marks = 4 marks) **Reasonable** knowledge and understanding. Most of the terms/theoretical concepts are explicitly or implicitly understood. **Limited** application of knowledge about taxes. There is an attempt to use/adapt/change the terms/theoretical concepts in the context. **Reasonable** analysis of taxes. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis. **Level 1 (1-2 marks)** (AO1a – 1 mark, AO2 – 0 marks, AO3a – 1 mark = 2 marks) **Reasonable** knowledge and understanding. Some of the terms/theoretical concepts are explicitly or implicitly understood. **Limited** application of knowledge to taxes. There is an attempt to use/adapt/change the terms/theoretical concepts in the context. **No** analysis of taxes. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.

Question			Answer	Mark	Guidance
					0 marks No work worthy of credit. **N.B.** Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.

22	(d)	(i)	**Other than income tax, state two types of direct taxes.**
			
			Answers include:
			    1. Inheritance tax
			    2. Corporate tax
			    3. Capital gains tax
			    4. National insurance contributions
			    5. Council Tax
				2
				
				AO1a
					1 mark for each correct answer up to a maximum of 2 marks

22	(d)	(ii)	**Explain how a progressive income tax system redistributes income.**
			
			Answers may include:
			
			As incomes rise more tax is taken as a percentage/proportion of income **[1]**
			
			by: **[1]**
			    • Providing a tax free/personal allowance for the lowest income band
			    • Setting higher (marginal) rates for each additional income band/bracket
			    • A numerical example
			
			and: [1]
			    • The government using tax revenue to redistribute income by increasing benefits
				2
				
				AO1b
					Award 1 mark for the idea of a higher percentage not higher amount
					
					Award 1 more mark for explanation of this, which could be a numerical example
					
					Candidates cannot copy directly from the text in the extract

Question			Answer	Mark	Guidance
22	(d)	(iii)	**Evaluate whether raising income taxes on the richest 20% of the population in Indonesia would have a purely beneficial effect for the lower paid.** **Use the information given in Extract 2 and your own knowledge.** **Reference to Extract 2 or context (AO2):** • Reference to Indonesia • Income is distributed unequally (the richest 20% receive 45% of total income) • Tax revenue can be used to improve public services/social security benefits • Tax changes are one of the tools in fiscal policy and so affect growth and inflation **1)** Government revenue should increase, which will enable more to be spent on public services and social security, which will benefit the lower paid. **But** there may be more tax avoidance and tax evasion/non-compliance, which might lower revenue and thus lower provision of public services and/or higher earners/more skilled workers may leave the country and/or government corruption may prevent/limit this process 2) the richest may lose the incentive (face a disincentive) to seek higher paid jobs in the top band, which might mean lower productivity for the economy and lower levels of entrepreneurship, which could lower employment opportunities for the lower paid. **But** richer people may have ties to the country and not move	6 1 AO2 2 AO3a 3 AO3b	*All level descriptors describe the **TOP** of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.* **Level 3 (5-6 marks)** (AO2 – 1, AO3a – 2 marks, AO3b – 3 marks = 6 marks) **Good** application of knowledge about redistribution. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario. **Reasonable** analysis of redistribution. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis. **Good** evaluation of redistribution with a fully supported judgement that is developed from weighing up arguments/both sides/comparing alternatives. *There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.* **Level 2 (3-4 marks)** (AO2 – 1, AO3a – 1 mark, AO3b – 2 marks = 4 marks) **Good** application of knowledge to redistribution. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.

Question	Answer	Mark	Guidance
	3) Lower income households will benefit not only from more generous benefits, but also equality of opportunity may improve with more government spending on education and health. **But** higher tax may prove a disincentive to entrepreneurs setting up businesses/employees seeking promotion **4)** Foreign companies may welcome this measure as it should mean a more socially cohesive society, which provides a good environment for foreign investment. Their investment should lead to more job opportunities**.** **But** foreign companies may decide not to locate their subsidiaries in Indonesia as their executives will be taxed at a higher rate. This will lead to fewer employment opportunities for the lower paid. **Final judgement may contain**: • Distortion of incentives to work may adversely affect the supply side of the economy, which ultimately could affect job opportunities for the lower paid • The effect of a rise in the top tax rate may depend on other economic variables, including inflation and growth. If there is a recession or inflation, the lower paid will still suffer. • Depends on the size of the tax rate rise, a small rise will have little impact • Depends on the longevity of the rise, if it is short-lived, the effects will be minimal **Any other relevant points are to be credited**		**Limited** analysis of redistribution. There is an attempt at an analysis largely in the form of a single effect. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, are unlikely to be correct and not linked to the analysis. **Reasonable** evaluation of redistribution, considering arguments/both sides/comparing alternatives. There may be a judgement, but this will not be fully supported. *There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.* **Level 1 (1-2 marks)** (AO2 – 0 marks, AO3a – 1 mark, AO3b – 1 mark = 2 marks) **No** application of knowledge about redistribution. There is an attempt to use/adapt/change the terms/theoretical concepts in the context. **Limited** analysis of redistribution. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis. **Limited** evaluation of redistribution that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements.

Question			Answer	Mark	Guidance
			N.B. **1. If there is no analysis/evaluation, then application (AO2) cannot be rewarded.** **2. In order to reach Level, there must be Application (AO2), Analysis (AO3a) and Evaluation (AO3b)**		*Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.* **0 marks** No work worthy of credit. **N.B.** Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited. **N.B.** Although the focus of the question it the degree to which lower paid benefit, the points may start with disadvantage or advantage.
23	(a)		**Using Extract 3, calculate the average amount, in £ billions, spent each year on total government spending over the period shown in the table.** Average amount = $\frac{384 + 675.5 + 952.3}{3}$ = 670.6	2 AO2	2 marks for a correct answer (working not required) 1 mark for correct working, but incorrect answer **N.B**. No mark lost if £ sign or billions omitted, since the question asked: "in £ billions".

Question			Answer	Mark	Guidance
23	(b)		**Explain how an increase in spending on education can lead to a rise in the rate of economic growth** **Answers may include:** • Improves literacy/productivity/specialisation etc leading to greater output • Increases innovations etc leading to increased productivity • Improves ability to handle new technology/adaptable to change and improve efficiency • Means workers can access higher paying jobs and therefore have more money to spend • Means total demand within the economy increases as a result higher government spending	2 AO2	Explanation required for second mark.
23	(c)		**Using the information in Extract 3, analyse how a cut in interest rates can affect UK economic growth.** **Knowledge and understanding:** • Interest rates are a tool of monetary policy • When interest rates fall, borrowing becomes cheaper • When interest rates fall, saving becomes less attractive • Investment is inversely related to the rate of interest • Economic growth is an increase in (real) GDP • Definition of interest rates	6 1 AO1a 2 AO2 3 AO3a	*All level descriptors describe the **TOP** of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.* **Level 3 (5-6 marks)** (AO1a – 1 mark, AO2 – 2 marks, AO3a – 3 marks = 6 marks) **Reasonable** knowledge and understanding**.** All of the terms/theoretical concepts are explicitly or implicitly understood. **Reasonable** application of knowledge to understanding monetary policy. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario. **Good** analysis of monetary policy. There is correct analysis in the form of developed links. These links are

Question	Answer	Mark	Guidance
	Reference to the extract: • UK monetary policy changes the bank/base rate • Interest rates are also affected by the public (national) debt • Changes in interest rates also affect the exchange rate • Interest rates affect borrowing for consumption/investment • Reference to the UK **Development of reasoning linking cut in interest rates to UK economic growth:** • When the bank rate is cut, borrowing costs fall, so firms borrow in order to build factories and buy machinery, which leads to a higher rate of economic growth • When the bank rate is cut, borrowing costs fall, so consumers borrow in order to buy durable goods, which leads to an increase in total demand and higher output. • When the bank rate is cut, saving is less attractive, so households consume more and save less, which leads to short-run increase in GDP • When the bank rate is cut, saving is less attractive, which means that there are fewer funds to lend out. As a result, interest rates may rise, which means lower long-run economic growth **N.B.** **1. In order to reach Level 3, there must be reference to information in the Extract or context.** **2. If there is no analysis (AO3a), then application (AO2) cannot be rewarded.**		developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis. *There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.* **Level 2 (3-4 marks)** (AO1a – 1 mark, AO2 – 1 mark, AO3a – 2 marks = 4 marks) **Reasonable** knowledge and understanding. Most of the terms/theoretical concepts are explicitly or implicitly understood. **Limited** application of knowledge to understanding monetary policy. There is an attempt to use/adapt/change the terms/theoretical concepts in the context. **Reasonable** analysis of monetary policy. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis. **Level 1 (1-2 marks)** (AO1a – 1 mark, AO2 – 0 marks, AO3a – 1 mark = 2 marks) **Reasonable** knowledge and understanding. Some of the terms/theoretical concepts are explicitly or implicitly understood.

Question			Answer	Mark	Guidance
					No application of knowledge about understanding monetary policy. There is an attempt to use/adapt/change the terms/theoretical concepts in the context. **Limited** analysis of meaning of monetary policy. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis. **0 marks** No work worthy of credit. **N.B.** Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.
23	(d)	(i)	**Other than economic growth, state two economic objectives that monetary policy can achieve.** **Answers may include:** • Price stability • Balance/surplus in the balance of payments • Low unemployment	**2** AO1a	1 mark for each objective up to a maximum of 2 marks.

Question			Answer	Mark	Guidance
23	(d)	(ii)	**Explain how higher interest rates in the UK may lead to the international value of the pound increasing.** **Answers may be either one of the two following:** • Demand for the pound rises (shifts right) **[1],** because international savers/investors take advantage of higher returns in the UK (and withdraw their funds from overseas financial markets to exchange for pounds) **[1]** **OR** • Supply of the pound falls (shifts left) **[1],** (because British savers/investors no longer exchange their pounds for other currencies) due to higher returns in the UK/fewer imports purchased as consumption falls **[1]**	2 AO1b	1 mark for statement without an explanation. 2 marks for a correct explanation **N.B. Only one of the bullet points is required.**
23	(d)	(iii)	**Evaluate the extent to which a rise in the foreign exchange value of the pound could affect UK consumers and producers.** **Use the information given in Extract 3 and your own knowledge.** **Reference to Extract 3 or context (AO2):** • The value of the pound increases when interest rates rise in the UK • The increase in the exchange rate for the pound should lower inflation/adversely affect exports. • Reference to the UK or pound **Extent of Benefits vs Costs for each group evaluated (AO3b):**	6 1 AO2 2 AO3a 3 AO3b	*All level descriptors describe the **TOP** of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.* **Level 3 (5-6 marks)** (AO2 – 1, AO3a – 2 marks, AO3b – 3 marks = 6 marks) **Good** application of knowledge about exchange rate changes. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario. **Reasonable** analysis about exchange rate changes. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant

Question	Answer	Mark	Guidance
	1) Consumers • Imports are cheaper, which will lower the inflation rate and improve living standards **But as** consumers buy cheaper imports, domestic firms lose sales, which may lead to redundancies and higher unemployment levels • Foreign travel will cost less as a pound can be exchanged for more euros/dollars etc. **But** those who are employed in the domestic travel sector (e.g. hotels) may be laid off as fewer foreign tourists come to the UK **2) Producers** • Those who import inputs (raw materials) and capital goods will benefit from lower costs of production **But output** from UK firms will be less competitive in overseas markets and will also face more competition from imports in the domestic market • Producers should benefit from the lower inflation rate, which will reduce the need for higher wages and will make their output more competitive again **But** this process will take time to work through the system and in the meantime the increased competition from overseas goods could lead to bankruptcies • The quantities sold of UK export products with relatively low-price elasticity of demand (inelastic PED) will not fall significantly and so total revenue will rise **But** over time the PED for such products will become more elastic as buyers find substitutes, so revenue will fall		diagram(s), if present, may be imperfectly labelled or not linked to the analysis. **Good** evaluation about exchange rate changes with a fully supported judgement that is developed from weighing up arguments/both sides/comparing alternatives. *There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.* **Level 2 (3-4 marks)** (AO2 – 1, AO3a – 1 mark, AO3b – 2 marks = 4 marks) **Good** application of knowledge about exchange rate changes. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario. **Limited** analysis of exchange rate changes. There is an attempt at an analysis largely in the form of a single effect. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, are unlikely to be correct and not linked to the analysis. **Reasonable** evaluation about exchange rate changes, considering arguments/both sides/comparing alternatives. There may be a judgement, but this will not be fully supported.

Question	Answer	Mark	Guidance
	Final judgement on the extent expressed clearly: • A rise in the exchange rate for the pound is clearly not advantageous for economic growth, because of the impact on total demand (consumption of domestic goods and net exports) • However, individual consumers and producers may benefit • If the rise in the exchange rate is short term, the extent will be limited • Ultimately the rise in the exchange rate will increase the deficit on the current account (as imports rise and exports fall) with the result that the exchange rate falls back, so the negative impact on economic growth should be short term i.e. the extent of the effect should not persist in the long run **N.B.** **1. If there is no analysis/evaluation, then application (AO2) cannot be rewarded.** **2. In order to reach Level 3, there must be Application (AO2), Analysis (AO3a) and Evaluation (AO3b)** **3. In order to reach Level 3, there must be reference to consumers *and* producers**		*There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.* **Level 1 (1-2 marks)** (AO2 – 0 marks, AO3a – 1 mark, AO3b – 1 mark = 2 marks) **No** application of knowledge about exchange rate changes. There is an attempt to use/adapt/change the terms/theoretical concepts in the context. **Limited** analysis about exchange rate changes. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis. **Limited** evaluation about exchange rate changes that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements. *Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.* **0 marks** No work worthy of credit. **N.B.** Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.

ASSESSMENT OBJECTIVE GRID (AO)

Question	AO1a	AO1b	AO2	AO3a	AO3b	Total	Quantitative skills
Questions 1–20	3	10	7			**20**	**4**
Q21 Marks:	**AO1a**	**AO1b**	**AO2**	**AO3a**	**AO3b**	**Total**	**Quantitative Skills**
(a)			2			**2**	2
(b)			2			**2**	2
(c)	1		2	3		**6**	
(d) (i)		2				**2**	
(ii)	2					**2**	
(iii)			1	2	3	**6**	
Total:	**3**	**2**	**7**	**5**	**3**	**20**	**4**
Q22 Marks:	**AO1a**	**AO1b**	**AO2**	**AO3a**	**AO3b**	**Total**	**Quantitative Skills**
(a)			2			**2**	2
(b)			2			**2**	2
(c)	1		2	3		**6**	
(d) (i)	2					**2**	
(ii)		2				**2**	
(iii)			1	2	3	**6**	
Total:	**3**	**2**	**7**	**5**	**3**	**20**	**4**

Q23 Marks:	AO1a	AO1b	AO2	AO3a	AO3b	Total	Quantitative Skills
(a)			2			**2**	2
(b)			2			**2**	2
(c)	1		2	3		**6**	
(d) (i)	2					**2**	
(ii)		2				**2**	
(iii)			1	2	3	**6**	
Total:	**3**	**2**	**7**	**5**	**3**	**20**	**4**
Section B total:	**9**	**6**	**21**	**15**	**9**	**60**	**12**
Paper Total	**12**	**16**	**28**	**15**	**9**	**80**	**20**

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