

GCE

Economics

H460/02: Macroeconomics

A Level

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 6 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.

Rubric Error Responses – Optional Questions

Where candidates have a choice of question across a whole paper or a whole section and have provided more answers than required, then all responses are marked and the highest mark allowable within the rubric is given. Enter a mark for each question answered into RM assessor, which will select the highest mark from those awarded. *(The underlying assumption is that the candidate has penalised themselves by attempting more questions than necessary in the time allowed.)*

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:
- To determine the level** – start at the highest level and work down until you reach the level that matches the answer
 - 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

Annotation	Meaning	Standard Annotations for all papers	
	Correct – mark awarded		Must be used on all blank pages of QP and additional objects
	Incorrect		Noted but no credit given
	Benefit of doubt	Off Page comments	Should only be used by Team Leaders for training purposes
	AO1 – Knowledge and understanding		To highlight text within candidate responses
	AO2 – Applying knowledge and understanding		
	AO3 – Analyse		
	AO4 – Evaluation		
	Not answering question		
	Too vague		
	Own figure rule		
	Confused		
	Unclear		

12. Subject Specific Marking Instructions

INTRODUCTION

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should also ensure that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet Instructions for Examiners.

If you are examining for the first time, you must carefully read Appendix 5 Introduction to Script Marking: Notes for New Examiners.

You must ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

Rubric Infringement

Candidates may infringe the rubric in the following way:

- answering two questions from Section B or C.

If a candidate has written two answers for Section B or C, mark both answers and award the highest mark achieved.

USING THE MARK SCHEME

Study this Mark Scheme carefully.

The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades.

Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers.

The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after a wide range of scripts are reviewed.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way.

The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co-ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co-ordination scripts then become part of this Mark Scheme.

Before the Standardisation Meeting, you should read and mark a number of scripts, in order to gain an impression of the range of responses and achievement that may be expected.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited. You will encounter answers which fall outside the 'target range' of Bands for the paper which you are marking.

Mark these answers according to the marking criteria.

Carefully read all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

INSTRUCTIONS TO EXAMINERS:**A: INDIVIDUAL ANSWERS**

- 1 The indicative content indicates the expected parameters for candidates' answers but be prepared to recognise and credit unexpected approaches where they show relevance.
- 2 Using 'best fit', decide first which set of BAND DESCRIPTORS best describes the overall quality of the answer. Once the band is located, adjust the mark concentrating on features of the answer which make it stronger or weaker following the guidelines for refinement.
 - Highest mark: If clear evidence of all the qualities in the band descriptors is shown, the HIGHEST Mark should be awarded.
 - Lowest mark: If the answer shows the candidate to be borderline (i.e. they have achieved all the qualities of the bands below and show limited evidence of meeting the criteria of the band in question) the LOWEST mark should be awarded.
 - Middle mark: This mark should be used for candidates who are secure in the band. They are not 'borderline', but they have only achieved some of the qualities in the band descriptors.
- 3 Be prepared to use the full range of marks. Do not reserve (e.g.) high Band marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

B: TOTAL MARKS

- 1 The maximum mark for the paper is 80
- 2 The quality of the extended response is assessed on this part of the question paper which is identified with the use of an asterisk (*). The assessment of this skill is embedded within each of the levels of response, and it must be considered when determining the mark to be awarded within the appropriate level.

Levels of response / Level descriptors	Knowledge and understanding (AO1)	Applying knowledge and understanding (AO2)	Analysis (AO3)	Evaluation (AO4)
Strong	Precise knowledge and understanding of economic ideas, principles, and models.	Ability to apply economic ideas to a specific context, using relevant and focussed examples fully integrated and good use of data where appropriate.	Correct analysis with consistently well-developed links through a coherent chain of reasoning which addresses the question. Any relevant diagram(s) are accurate with no significant errors that affect the validity of the analysis. Any diagram(s) must be integral to the analysis.	Counter argument(s) are fully developed. A conclusion is drawn weighing up both sides, considering extent and alternatives and reaches a supported judgement.
Good	Mainly accurate knowledge and understanding of economic ideas, principles, and models.	Ability to apply economic ideas to a specific context, using some relevant and focussed examples to the given context and scope of the question. Some good use of data where appropriate	An explanation of causes and consequences, developing most of the links in the chain of argument. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagram(s) must be integral to the analysis.	Counter argument(s) are fully developed. A conclusion is drawn weighing up both sides/comparing alternatives but without reaching a supported judgement.

Reasonable	Awareness of the meaning of economic ideas, principles, and models	Ability to apply economic ideas to some elements of the given context, although possibly inconsistent examples not always relevant to the given context and scope of the question. Some use of data where appropriate	<p>There is correct analysis in the form of single links. These address the question but are not developed into a clear chain of reasoning.</p> <p>Any relevant diagram(s) may have errors that affect the validity of the analysis or are not integrated into the response.</p>	<p>Counter arguments are considered but not fully developed.</p> <p>Some attempt to conclude, which shows some recognition of the influencing factors, but without considering extent and alternatives.</p>
Limited	Limited awareness of the meaning of economic ideas, principles, and models	Very little ability to apply economic ideas to some elements of the given context. Examples may be generic or irrelevant to the given context	<p>There is little evidence of reasoning that addresses the question asked. Simple statement(s) of cause and consequence are used. There is a lack of a clear structure.</p> <p>Absence of relevant diagram(s) or diagram(s) which have errors / omissions that significantly affect the validity of the analysis.</p>	<p>Counter arguments are simply stated.</p> <p>Unsupported statements or assertions, or no evaluation</p>

Question			Answer	Mark	Guidance
1	(a)		<p>Using information from the stimulus material, identify two components of Kenya's aggregate demand.</p> <p>Two from: Net exports (1) Exports (1) Imports (1) Consumer expenditure/consumption (1) Government spending (1)</p>	2	<p>Annotate with ✓</p> <p>Do not credit investment as it is not in the extract</p>

Question			Answer	Mark	Guidance
1	(b)		<p>Using information from the stimulus material, calculate to one decimal place Kenya's terms of trade in 2019.</p> <p>Correct answer = 68 or 68.0</p>	1	<p>Annotate with ✓</p> <p>Index of export prices/index of import prices x100 $146.2/215 \times 100$ = 68</p> <p>Do not credit 0.68 Do not credit 68.8</p>

Question			Answer	Mark	Guidance
1	(c)		<p>Explain if the relationship in Fig.1 between IDA assistance per capita and GDP per capita is the expected one.</p> <ul style="list-style-type: none"> • Yes / largely the expected relationship (1) • IDA expected to provide the most assistance to the lowest income countries (1) • supporting evidence e.g. four countries show an inverse relationship / Somalia is the lowest income country and receives the most assistance / Kenya and Bangladesh 	3	<p>Annotate with ✓</p> <p>Relationship - 1 mark Why it is expected - 1 mark Supporting evidence - 1 mark Exception - 1 mark</p> <p>Evidence must explain why it shows a relationship or exception rather than just stating a country.</p>

			<p>have the highest GDP per capita and receive the lowest assistance per head (1).</p> <ul style="list-style-type: none">• Nepal / Democratic Republic of the Congo is an exception as Nepal receives more assistance than the Democratic Republic of the Congo despite having a higher GDP per capita (1)• IDA may have previously increased GDP per capita, explaining exceptions (1)		
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Question			Answer	Mark	Guidance
1	(d)		<p>Using Table 1, explain the relationship between mean years of schooling and life expectancy.</p> <ul style="list-style-type: none"> There is not a strong relationship or Generally positive relationship (1) Evidence e.g. Country with the highest number of mean years of schooling (Congo) has the second lowest life expectancy / country with the lowest number / but country (Somalia) with the lowest number of mean years of schooling does have the lowest life expectancy / not much difference in mean years of schooling but 14.6 years difference in life expectancy (1) This is because more years of schooling is likely to increase income / health / nutrition (1). Napal as an outlier having 5th lowest mean years of schooling but 2nd highest life expectancy (1) 'this suggests that there are other factors that affects a country's life expectancy apart from mean years of schooling'. (1) 	4	<p>Annotate with ✓</p> <p>Relationship (type or strength)- 1 mark Evidence - 1 mark Explanation - 1 mark Exception - 1 mark</p>

1(e)* Using information from the stimulus material, evaluate whether the increase in Kenya's government spending is likely to increase the government's budget deficit.

Level / mark	Descriptor
Level 2 (5-8 marks)	<p>Good knowledge and understanding of relevant economic idea(s), principle(s) or model(s)</p> <p>Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate.</p> <p>Strong analysis of the question characterised by consistently well-developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis.</p> <p>Strong evaluation of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement.</p>
Level 1 (1-4 marks)	<p>Reasonable knowledge and understanding of relevant economic idea(s), principle(s) or model(s)</p> <p>Reasonable application of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate.</p> <p>Reasonable analysis of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response.</p> <p>Limited evaluation of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a stated judgement or the absence of a judgement.</p>
0 marks	Response is not worthy of credit
Question 1e* Guidance	
<p>The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation.</p> <p>Knowledge and understanding</p> <ul style="list-style-type: none"> A government budget deficit arises when government spending is greater than (tax) revenue. <p>Application</p> <p>Application to economic ideas</p> <ul style="list-style-type: none"> Higher government spending can increase the gap between government spending and taxation in the short run. Government Spending is an element of aggregate demand <p>Relevant context</p> <ul style="list-style-type: none"> The Kenyan government is spending more on education, healthcare, infrastructure projects and subsidies given to farmers and tourist firms. Kenya has poor infrastructure. 	

Analysis

- Increases in government spending that are not funded with increase in tax revenue are likely to lead to a budget deficit
- Increases in government spending which are more than increases in IDA could lead to a budget deficit
- Increases in government spending may make it worse unless spending is cut in other areas
- Higher government spending on healthcare may raise life expectancy which may increase the need to spend more on pensions and healthcare.
- Government spending on subsidies may reduce the pressure on farms and tourist firms to be efficient and competitive. They may lose sales and governments may gain less corporation tax revenue.
- Government spending on roads may increase demand for further road space.

Evaluation

- Government spending on education and healthcare may raise productivity and employment. Higher incomes and employment can raise tax revenue.
- Government spending on infrastructure may reduce firms' costs of production. May increase profit and so raise corporation tax revenue.
- Higher incomes may increase spending and raise indirect tax revenue.
- Higher employment may reduce government spending on unemployment related benefits.
- Higher government spending on goods and services is an injection into the circular flow of income and can cause a multiple increase in GDP, raising incomes and tax revenue.

Judgement may include:

- The impact may differ in the short run and the long run. May increase the deficit in the short run but reduce it in the long run.
- A deficit may cause financial crowding out which in turn could increase market interest rates, reduce AD and reduce tax revenue, worsening the deficit
- The impact will be influenced by how well the money is spent and monitored e.g. are subsidies given to firms that have the potential to grow and is the money spent in appropriate ways.
- The impact will depend on whether the extra government spending will generate extra tax revenue.
- Spending on infrastructure may have a significant effect as the country's infrastructure is currently poor.

1(f)* Using information from the stimulus material, evaluate whether Kenyans are likely to benefit from globalisation.

Level / mark	Descriptor
Level 3 (9-12 marks)	<p>Good knowledge and understanding of relevant economic idea(s), principle(s) or model(s).</p> <p>Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate.</p> <p>Strong analysis of the question characterised by consistently well-developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis.</p> <p>Strong evaluation of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement.</p>
Level 2 (5-8 marks)	<p>Good knowledge and understanding of relevant economic idea(s), principle(s) or model(s).</p> <p>Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate.</p> <p>Reasonable analysis of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response.</p> <p>Reasonable evaluation of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement.</p>
Level 1 (1-4 marks)	<p>Reasonable knowledge and understanding of relevant economic idea(s), principle(s) or model(s).</p> <p>Reasonable application of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate.</p> <p>Limited analysis of the question characterised by reasoning that lacks a clear structure and / or does not address the question; simple statement(s) of cause and consequence; absence of relevant diagram(s) or diagram(s) which have errors / omissions that significantly affect the validity of the analysis.</p> <p>Limited evaluation of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent, a stated judgement or the absence of a judgement.</p>
0 marks	Response is not worthy of credit

Question 1(f)* Guidance

The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation.

Knowledge and understanding

- Globalisation involves the world becoming one market by the greater freedom of products and firms and, to a lesser extent, workers.

Application

Application to economic ideas

- benefits and/or drawbacks of globalisation for emerging economies

Relevant context

- Reduced costs of transportation, better communications and trade liberalisation have increased both Kenyan imports and exports and have resulted in more foreign firms operating in Kenya. In recent years, the prices of some products bought by Kenyans has fallen and their quality has increased.
- The gap between the pay of skilled workers and unskilled workers in the country has widened.
- Unemployment has remained high in the country although some Kenyans have gained employment in foreign multinational companies operating in Kenya

Analysis

- Kenyan firms that import raw materials and capital goods may experience lower costs of production. Firms that export products or compete with imported products will benefit from globalisation if they become internationally competitive. This may lead to increases in employment and wages.
- Increase in FDI may provide employment and transfer of skills
- Kenyan consumers may have a greater range of products to choose from and greater competition is likely to result in lower price and better quality. The MNCs operating in Kenya may raise the quality of products produced in the country and lower their price by introducing new technology and providing good quality training. MNCs can increase the quantity of products available in the country, may pay high wages, increase employment and raise living standards.

Evaluation

- However, there is a risk that MNCs may reduce Kenyans' living standards by, for instance, creating environmental damage such as pollution, lowering employment as a result of replacing more labour-intensive domestic firms and using up non-renewable resources.
- Globalisation raises demand for some products while lowering demand for others. Workers have to be occupationally and geographically mobile to switch jobs. Those with the skills and qualifications to work in industries that are internationally competitive may gain high wages. Those that do not may have no choice but to work in low paid jobs or be unemployed.

Question 1(f)* Guidance

- It is possible that in the longer run, Kenyan firms and consumers may not benefit if foreign firms drive domestic firms out of business and gain monopoly power.
- The Kenyan government spending on education and healthcare may raise the productivity of Kenyan workers but if other governments are providing better quality education and health care, relative productivity may not rise.
- Globalisation is likely to have different effects on different groups. Kenyan workers with the skills in demand and those willing to adapt their skills are more likely to gain than unskilled and geographically and occupationally immobile workers.
- Some firms may need protection. The Kenyan government is spending more on infrastructure, but the current low quality may result in some firms' costs of production being higher than rival foreign firms. Kenya is successful in selling tea and cut flowers. This may suggest that the country has a comparative advantage in these products.
- Kenyan firms that are adaptable, that recognise changes in global demand, that are price and quality competitive are likely to gain. Kenyan consumers are likely to gain in the short run but may lose out in the long run if firms gain more market power.

Judgement may include:

- The effect on economic growth and thus employment and income per capita will depend on whether Kenyan firms can compete in more integrated markets.
- Kenyans are more likely to benefit from globalisation if the economies, such as the USA, UK and Pakistan, that Kenya exports to experience an increase in income. Kenyans may also benefit if foreign MNCs in the country make a positive contribution to GDP, exports, employment, technology and tax revenue.

SECTION B**EITHER**

- 2*** Evaluate, with the use of an appropriate diagram(s), whether advances in technology will help a government to achieve its macroeconomic policy objectives.

OR

- 3*** Evaluate, with the use of an appropriate diagram(s), whether improved economic expectations will benefit an economy.

Level / mark	Descriptor
Level 5 (21-25 marks)	<p>Strong knowledge and understanding of economic idea(s), principle(s), and model(s).</p> <p>Strong application of economic concepts to the context and scope of the question, which may include relevant examples or good use of data where appropriate.</p> <p>Strong analysis of the question characterised by consistently well-developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis.</p> <p>Strong evaluation of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement.</p>
Level 4 (16-20 marks)	<p>Good knowledge and understanding of economic idea(s), principle(s), and model(s).</p> <p>Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate.</p> <p>Good analysis of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis.</p> <p>Good evaluation of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement.</p>
Level 3 (11-15 marks)	<p>Good knowledge and understanding of economic idea(s), principle(s), and model(s).</p> <p>Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate.</p> <p>Good analysis of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis.</p> <p>Reasonable evaluation of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement</p>

Level / mark	Descriptor
Level 2 (6-10 marks)	<p>Reasonable knowledge and understanding of economic idea(s), principle(s), and model(s).</p> <p>Reasonable application of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate.</p> <p>Reasonable analysis of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response.</p> <p>Reasonable evaluation of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement</p>
Level 1 (1-5 marks)	<p>Limited knowledge and understanding of economic idea(s), principle(s), and model(s).</p> <p>Limited application of economic concepts to some elements of the given context and scope of the question. Use of data may be generic or irrelevant.</p> <p>Limited analysis of the question characterised by reasoning that lacks a clear structure and / or does not address the question; simple statement(s) of cause and consequence; absence of relevant diagram(s) or diagram(s) which have errors / omissions that significantly affect the validity of the analysis.</p> <p>Limited evaluation of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent, a stated judgement or the absence of a judgement.</p>
0 marks	Response is not worthy of credit

Question 2* Guidance

The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation.

Knowledge and understanding

- Advances in technology involve improvements in the way products are produced.
- Government macroeconomic policy objectives include economic growth, full employment, sustainable balance of payments and stable inflation.

Application

Application to economic ideas

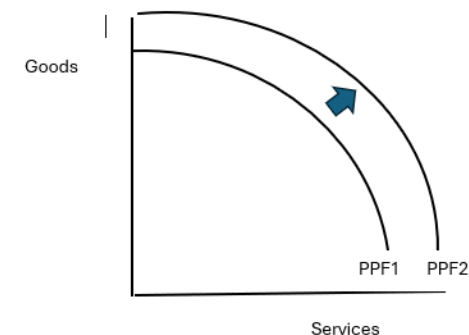
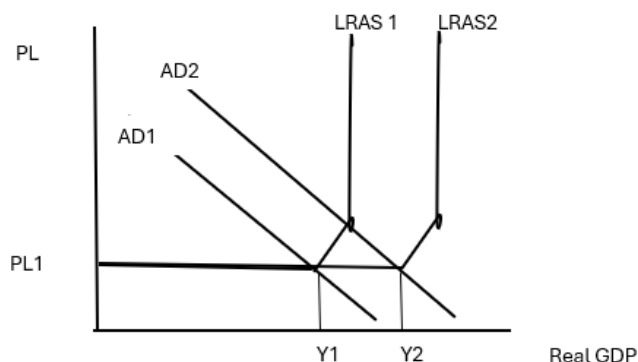
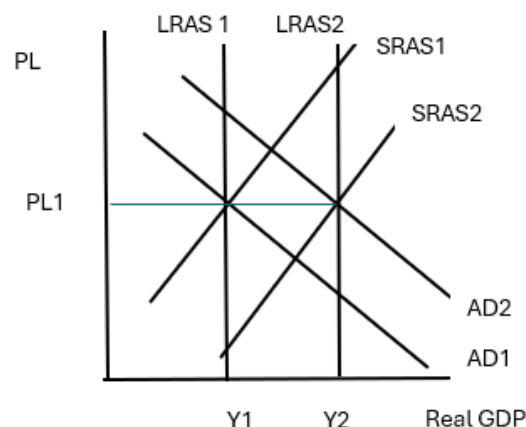
- Applying advances in technology to changes in AD and AS

Relevant context

- Most countries are experiencing advances in technology.
- Countries can take advantage of other countries' technological advances'

Analysis

- a relevant and explained diagram showing increases in AD and SRAS/LRAS
- Investment is a component of AD. With innovation and new and/or better products, consumer expenditure may also increase.
- Higher investment may increase both AD and AS. With more efficient technology, productive capacity increases increasing LRAS.

Question 2* Guidance

- Advances in technology can increase both actual and potential production, thus can affect SRAS and LRAS.
- Advances in technology can reduce unemployment. The use of more advanced technology can increase the efficiency of education and training. As a result, the skills and mobility of workers can increase, and structural unemployment may decline.
- Advances in technology usually reduce costs of production (increasing Lower costs of production can reduce prices. This can increase sales and output and encourage firms to take on more workers. Improvements in infrastructure and communications can reduce both structural and frictional unemployment by increasing geographical mobility and the sharing information. In addition, advances in technology can create new products such as smart home hubs. Higher demand can reduce cyclical unemployment
- Advances in technology can reduce cost-push inflation by raising productivity and lowering costs of production.
- Advances in technology may improve the current account of the balance of payments. Products may be more internationally price competitive and new products may be created that can be exported. In addition, improved internet connections may make it easier for firms to keep in contact with consumers and overseas branches.

Evaluation

- There may be an initial high cost of the new technology, which in the short run may increase firms' costs of production.
- Advances in technology may eliminate some small firms and some industries which may reduce output in the short run.
- Advances in technology can cause structural unemployment. New capital equipment and production methods can replace workers. For instance, the development of online banking has reduced the number of bank branches and bank workers. The introduction of driverless cars may eliminate the job of

Question 2* Guidance

taxi driver. Advances in technology can also change the skills required to do particular jobs. For instance, the increased use of GPS technology in farming is requiring some farm workers to develop their IT skills.

- Other countries may experience more rapid advances in technology and so it is possible that international price and quality competitiveness may fall.
- LRAS effects may take time so maybe inflationary in the short run

Possible Judgement

- Advances in technology are likely to help a government achieve the macroeconomic policy objectives of economic growth and price stability. The effects on unemployment and balance of payments stability are more uncertain.
- There may be a trade off between objectives
- Short run and long run effects on objectives
- Over time, advances in technology have changed the pattern of employment, resulting in the end of some jobs but the creation of other jobs.

Question 3* Guidance

The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation.

Knowledge and understanding

- The economy benefits if macro economic objectives are met - stable low inflation, low unemployment, sustainable economic growth and positive trade balance
- Consumer expectations affect consumption
- Business expectations affect investment

Application

Application to economic ideas

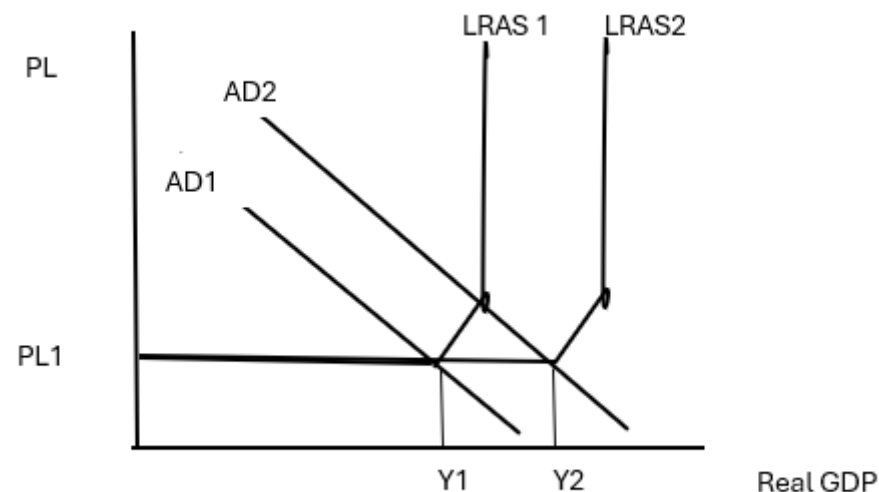
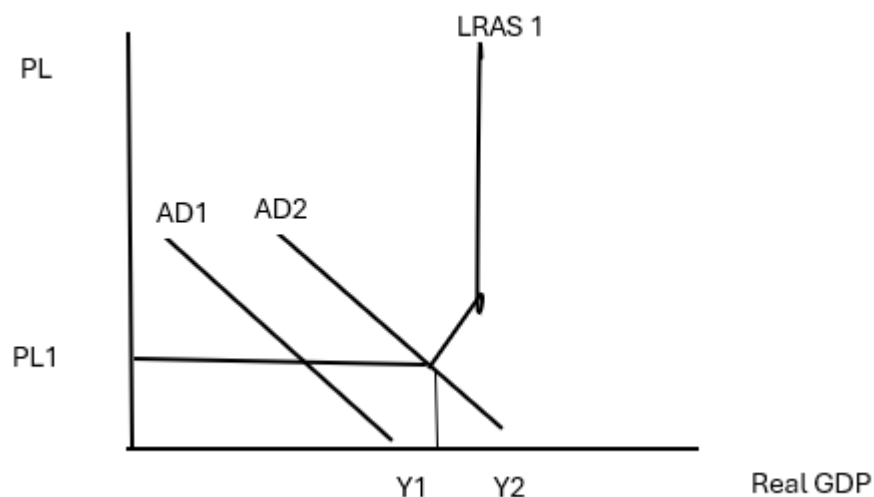
- consumer confidence/expectations
- business confidence/expectations

Relevant context

- Any country

Analysis

- An improvement in economic expectations is likely to increase consumer expenditure. Households, expecting higher incomes and possibly greater job security in the future may spend a higher proportion of their income. Increase in the mpc will increase the multiplier effect
- If firms are more optimistic about future sales and profits, they are likely to invest more. This can increase the accelerator effect.
- Higher consumer expenditure (due to consumer confidence) will increase aggregate demand. Higher AD can benefit an economy if it is initially operating with a negative output gap. The diagram shows that in such a situation, real GDP will increase. The less households and firms spend on imported products, the larger the effect on aggregate demand will be.
- Higher investment (due to business confidence) will increase aggregate demand and aggregate supply which can increase economic growth without inflationary pressure even when there is no negative output gap - as seen in the second diagram



- Higher AD can reduce unemployment.
- More economic activity may increase tax revenue and some of this may be spent on education and health care which can increase labour productivity and so AS.

Evaluation

- However, if AD increases by more than AS, the rate of inflation will increase.
- Consumers may increase spending on imports
- Firms may not be able to access finance to increase investment if confidence has been boosted by government spending causing financial crowding out

Possible Judgement

- Whether improved economic expectations will benefit an economy will depend on the initial state of the economy.
- A short-term improvement in economic expectations may be destabilising.
- The larger the size of the multiplier, the greater the impact is likely to be.
- Effect will depend on whether LRAS increases as well as AD

SECTION C

EITHER

4* Evaluate whether fiscal policy can reduce poverty.

OR

5* Evaluate whether quantitative easing is an effective monetary policy measure.

Level / mark	Descriptor
Level 5 (21-25 marks)	<p>Strong knowledge and understanding of economic idea(s), principle(s), and model(s).</p> <p>Strong application of economic concepts to the context and scope of the question, which may include relevant examples or good use of data where appropriate.</p> <p>Strong analysis of the question characterised by consistently well-developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis.</p> <p>Strong evaluation of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement.</p>
Level 4 (16-20 marks)	<p>Good knowledge and understanding of economic idea(s), principle(s), and model(s).</p> <p>Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate.</p> <p>Good analysis of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis.</p> <p>Good evaluation of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement.</p>
Level 3 (11-15 marks)	<p>Good knowledge and understanding of economic idea(s), principle(s), and model(s).</p> <p>Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate.</p> <p>Good analysis of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis.</p> <p>Reasonable evaluation of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement</p>

Level / mark	Descriptor
Level 2 (6-10 marks)	<p>Reasonable knowledge and understanding of economic idea(s), principle(s), and model(s).</p> <p>Reasonable application of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate.</p> <p>Reasonable analysis of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response.</p> <p>Reasonable evaluation of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement</p>
Level 1 (1-5 marks)	<p>Limited knowledge and understanding of economic idea(s), principle(s), and model(s).</p> <p>Limited application of economic concepts to some elements of the given context and scope of the question. Use of data may be generic or irrelevant.</p> <p>Limited analysis of the question characterised by reasoning that lacks a clear structure and / or does not address the question; simple statement(s) of cause and consequence; absence of relevant diagram(s) or diagram(s) which have errors / omissions that significantly affect the validity of the analysis.</p> <p>Limited evaluation of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent, a stated judgement or the absence of a judgement.</p>
0 marks	Response is not worthy of credit

Question 4* Guidance

The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation.

Knowledge and understanding

- Fiscal policy is government decisions on government spending and taxation.
- Absolute poverty is lack of access to basic necessities.
- Relative poverty is e.g. having income below 60% of the median.

Application

Application to economic ideas

- Fiscal policy is used for a number of purposes including poverty.
- Countries experience different levels of absolute and relative poverty

Relevant context

- Any example of fiscal policy that has been used to reduce poverty
- Any African country

Analysis

- Government spending on benefits can reduce absolute poverty by providing income to the unemployed. Sick, disabled, and old. Unemployment, ill health, disability, and old age are the main causes of poverty.
- Government spending on education may help the children of the poor escape poverty by increasing the skills and qualifications and so their opportunities to earn a high wage.
- Government spending on training can reduce structural unemployment
- Government spending on healthcare and housing may provide basic necessities to the poor.
- Expansionary fiscal policy can create jobs which can reduce unemployment and poverty.
- Progressive taxation can reduce the gap in income between the rich and poor and may reduce relative poverty.

Evaluation

- Spending on benefits may reduce the incentive for the unemployed to search for employment and for people to work past the retirement age which may reduce their potential income.
- Some forms of government spending on education and healthcare may benefit the rich more than the poor e.g. university education.
- Regressive taxation will be likely to increase relative poverty.
- Contractionary fiscal policy can increase relative and absolute poverty.

Possible judgements

- Whether fiscal policy reduces poverty will depend on the type of policy pursued. While expansionary fiscal policy may reduce it, contractionary fiscal policy is likely to increase it.
- Direct taxation tends to be more progressive while indirect taxation tends to be regressive. So greater reliance on indirect taxation may not reduce poverty.
- Redistributing income may reduce incentives which may lower the incomes of the poor in the long run.

Question 5* Guidance

The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation.

Knowledge and understanding

- Quantitative easing involves a central bank increasing the money supply by buying long term securities (government bonds and corporate bonds from financial companies and pension funds).

Application

Application to economic ideas

- Quantitative easing is expansionary monetary policy
- Quantitative easing reduces financial crowding out
- Quantitative easing increases the supply of loanable funds and reduces long term interest rates

Application to economic context

- Any reference to a central bank using QE eg Bank of England during the financial crisis, brexit vote, Covid
- Has been used when there has been a lack of commercial bank lending.
- UK is currently undergoing quantitative tightening

Analysis

- If a country is experiencing low or negative economic growth and the rate of interest is already very low or negative, a central bank may decide to use quantitative easing.
- Quantitative easing may increase commercial banks' liquid assets and so their ability to lend. It would replace some of the commercial banks long term assets with more liquid assets.
- The purchase of long-term government bonds may reduce the long-term rate of interest because the supply of loanable funds increases. This may encourage firms to borrow to invest rather than saving.
- The purchase of corporate bonds would increase the funds firms would have to invest, reducing the effects of financial crowding out.
- Increasing the supply of loanable funds will reduce the market rate of interest, stimulating all components of AD.
- A lower rate of interest may increase share prices which would make it easier for firms to raise finance for investment.

Evaluation

- In a situation of rising inflation, central banks are likely to employ contractionary monetary policy rather than expansionary monetary policy. To reduce inflation, they are likely to raise interest rates and reduce the growth of the money supply. Bank of England is currently conducting Quantitative tightening.

- Even at a time of very low inflation and low economic activity, central banks may decide to stop quantitative easing if it finds that it is not working. Even with more liquid assets, commercial banks will not be able or willing to lend more if there is a lack of suitable borrowers. Households and firms are unlikely to want to borrow more if they are pessimistic about the future. Those who may want to borrow may be considered too high a risk.
- Quantitative easing can have some unintended consequences. More funds will be available to a range of financial institutions including pension funds which may use them to purchase shares and so increase the price of shares. It can redistribute income from taxpayers towards commercial banks and shareholders. As a result, it is most likely to benefit the rich.
- Quantitative easing is likely to result in a more uneven distribution of income.
- Quantitative easing increases the money supply and causes inflation (Quantitative theory of Money)

Possible judgements

- The effectiveness will depend on the economic conditions facing their countries – not appropriate during periods of high economic growth and inflationary pressure.
- A central bank may consider that an alternative monetary policy measure may be more effective. There may be times when it is possible to cut the rate of interest. It might also seek to reduce the exchange rate to stimulate aggregate demand.
- If a country is experiencing low or negative economic growth and the rate of interest is already very low or negative, a central bank may decide to use quantitative easing. A central bank may also have found that quantitative easing has worked in the past and that more bank lending and higher share prices would benefit an economy.
- Even in periods of Quantitative easing, commercial banks may still be reluctant to lend, or businesses unwilling to borrow if confidence is low.

ASSESSMENT OBJECTIVES GRID

Question	AO1	AO2	AO3	AO4	TOTAL	(Quantitative Skills)
1(a)		2			2	
1(b)		1(1)			1	(1)
1(c)	2	1(1)			3	(1)
1(d)	2(2)	2(2)			4	(4)
1(e)*	1	1	3	3	8	
1(f)*	1	1	5(2)	5	12	(2)
2*/3*	6(2)	6(2)	6(2)	7(2)	25	(8)
4*/5*	6	6	6	7	25	
TOTAL	18	20	20	22	80	(16)

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