



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2023**

Economics

Assessment Unit AS 2

assessing

Managing the National Economy

[SEC21]

MONDAY 22 MAY, MORNING

**MARK
SCHEME**

General Marking Instructions

This mark scheme is intended to ensure that the AS examinations are marked consistently and fairly. The mark scheme provides examiners with an indication of the nature and range of candidate responses likely to be worthy of credit. It also sets out the criteria which they should apply in allocating marks to candidates' responses. The mark scheme should be read in conjunction with these general marking instructions which apply to all papers.

Quality of candidates' responses

In marking the examination papers, examiners will be looking for a quality of response reflecting the level of maturity which may reasonably be expected of 17-year-olds, which is the age at which the majority of candidates sit their AS examinations.

Flexibility in marking

The mark scheme is not intended to be totally prescriptive. For many questions, there may be a number of equally legitimate responses and different methods by which the candidates may achieve good marks. No mark scheme can cover all the answers which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner for the paper concerned.

Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for valid responses rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected for 17-year-old candidates. Conversely, marks should only be awarded for valid responses and not given for an attempt which is completely incorrect or inappropriate.

Types of mark schemes

Mark schemes for questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication. These questions are indicated on the cover of the examination paper. Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided. Some material may be included in the mark scheme for the benefit of teachers and pupils preparing for future examinations. Candidates are not expected to have provided this information. Such material is printed in the mark scheme in italics.

Levels of response

Questions requiring candidates to respond in extended writing are marked in terms of levels of response. In deciding which level of response to award, examiners should look for the "best fit" bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement. The following guidance is provided to assist examiners.

Threshold performance: Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.

Intermediate performance: Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.

High performance: Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

Marking calculations

In marking answers involving calculations, examiners should apply the “own figure rule” so that candidates are not penalised more than once for a computational error.

Quality of written communication

Quality of written communication is taken into account in assessing candidates’ responses to all questions that require them to respond in extended written form. These questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication. Where the quality of candidates’ economics is not matched by the quality of written communication, marks awarded will not exceed the maximum for Level 2 in questions which have three levels of response or the maximum for Level 3 in those which have four levels of response.

For conciseness, quality of written communication is distinguished within levels of response as follows:

Level 1: Quality of written communication is limited.

Level 2: Quality of written communication is satisfactory.

Level 3: Quality of written communication is of a high standard.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

Level 1 (Limited): The candidate makes only a limited attempt to select and use an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

Level 2 (Satisfactory): The candidate makes a reasonable attempt to select and use an appropriate form and style of writing, supported with appropriate use of diagrams as required. Relevant material is organised with some clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning evident.

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

		AVAILABLE MARKS
1	<p>(a) GDP is Gross Domestic Product which measures the total value of output produced within the domestic boundaries of a country in any given time period. The term gross refers to the fact that subtractions have not been made for capital consumption. The term domestic refers to the fact that it measures everything produced within a country even when the output is produced by a foreign owned company. The term product refers to the value of goods and services produced. The term real refers to the fact that an adjustment has been made to reflect changes in the average level of prices against some base year.</p> <p>[3] for clear definition/explanation of GDP [1] for explanation that real GDP is adjusted for inflation [4]</p> <p>(b) A recession occurs whenever a country experiences 2 consecutive quarters of negative economic growth. The NI economy experienced negative growth in the last quarter of 2019 and the first quarter of 2020 and hence could be described as being in recession. The Scottish economy however grew by 0.1% in the last quarter of 2019 and hence did not experience 2 consecutive quarters of negative growth.</p> <p>[1] for clear definition/explanation of recession [2] for application to Scotland and NI [3]</p>	7
2	<p>The leftward shift in the Lorenz curve between 2008 and 2018 indicates that income has become more evenly distributed over the period. For example, in 2008 50% of the population accounted for 6% of total income. By 2018 this had increased to 19%. The Gini coefficient (which measures the gap between the line of perfect equality and the Lorenz curve) in 2018 is much smaller than in 2008.</p> <p>[1] for identification that income inequality has fallen [2] for application to chart [3]</p>	3
3	<p>(a) Inflation is defined as a sustained rise in the general level of prices which leads to a fall in the value of money.</p> <p>For a clear definition/explanation of inflation [2] For partial definition/explanation [1] [2]</p> <p>(b) For calculation of rate of inflation as 4.47% ($93.4 - 89.4 / 89.4 \times 100$) [2] For correct methodology but error in calculation or presentation [1] [2]</p>	4

4 Labour productivity measures the amount of economic output that is produced by a unit of labour input. The output of the UK is measured by its gross domestic product (GDP). Whereas the input is normally measured in two ways – by total hours worked and by the number of workers in employment.
 Labour productivity = $\text{GDP}/\text{total hours worked}$ or $\text{GDP}/\text{no of people in employment}$

[3] for a comprehensive explanation of how labour productivity is calculated in the UK

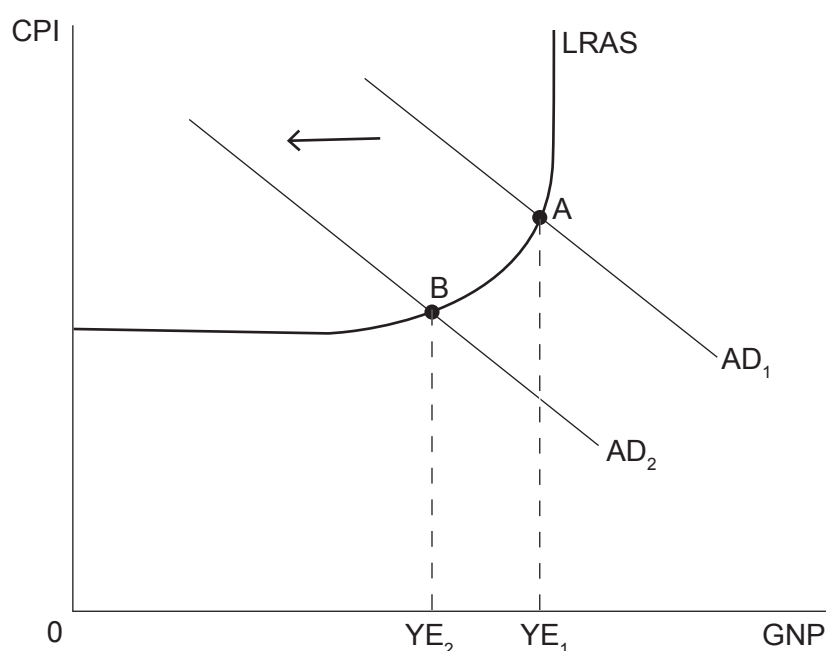
Up to [2] for a partial explanation of how labour productivity is measured in the UK [3]

3

5 (a) For calculation of $\text{€}1 = \$1.09$ ($\$1.16/\text{€}1.06$) [2]
 For correct methodology but error in calculation or presentation [1] [2]

(b) An increase in the value of the pound against the euro and the US dollar will make UK exports relatively less competitive. This should, ceteris paribus, cause a reduction in exports to the US and the Eurozone and an increase in imports in the UK from these areas. This is likely to cause a decrease in aggregate demand in the UK (as over half of our exports go to these 2 areas) and could in turn lead to a decrease in output, employment and prices, as illustrated on the diagram below.

An analysis based on a shift of SRAS is equally valid



Level 1 ([1]–[2])

A basic response provides an answer that demonstrates:

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

Level 2 ([3]–[4])

A good response provides an answer that demonstrates:

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

Level 3 ([5]–[6])

An excellent response provides an answer that demonstrates:

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

[6]

Section A

**AVAILABLE
MARKS**

8

25

- 6 (a) The UK's GDP grew, albeit slowly, between the beginning of 2017 and Q3 of 2019. In Q1 2017 GDP had an indexed value of 96.6 (accept 96 or 97). By Q3 2019 this had increased to an indexed value of 100. This represents a growth rate of approx. 3.5% ($100 - 96.6/96.6$). GDP increased faster in 2018 than it did in 2017 but slowed down again in 2019. GDP fell in Q1 2020 and again in Q2. The total fall in GDP over this 6 month period was 21.2 %. The economy then recovered in Q3 growing by 15.9%. However, it was still 8.6% below its peak in Q3 2019.

[3] for appropriate description of trend with data showing absolute changes
[2] for appropriate manipulation of data to show relative changes [5]

- (b) The source identifies 3 factors that would make it unlikely that aggregate demand would have increased in 2021
- A second wave of lockdowns in early 2021 would reduce spending in and by the UK's large services sector. This would be likely to reduce the consumption and investment elements of aggregate demand.
 - The UK's withdrawal from the EU would cause significant disruption to external trade. The reduction in exports to the EU would depress aggregate demand. The likely increase in the price of UK imports could also increase average price levels and reduce real disposal income. This in turn would further depress aggregate demand
 - The record number of redundancies already announced for 2021 would be likely to reduce consumer spending (by those who had lost their jobs) and consumer confidence and hence reduce the consumption element of aggregate demand.

Level 1 ([1]–[2])

A basic response provides an answer that demonstrates:

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

Level 2 ([3]–[4])

A good response provides an answer that demonstrates:

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

Level 3 ([5]–[6])

An excellent response provides an answer that demonstrates:

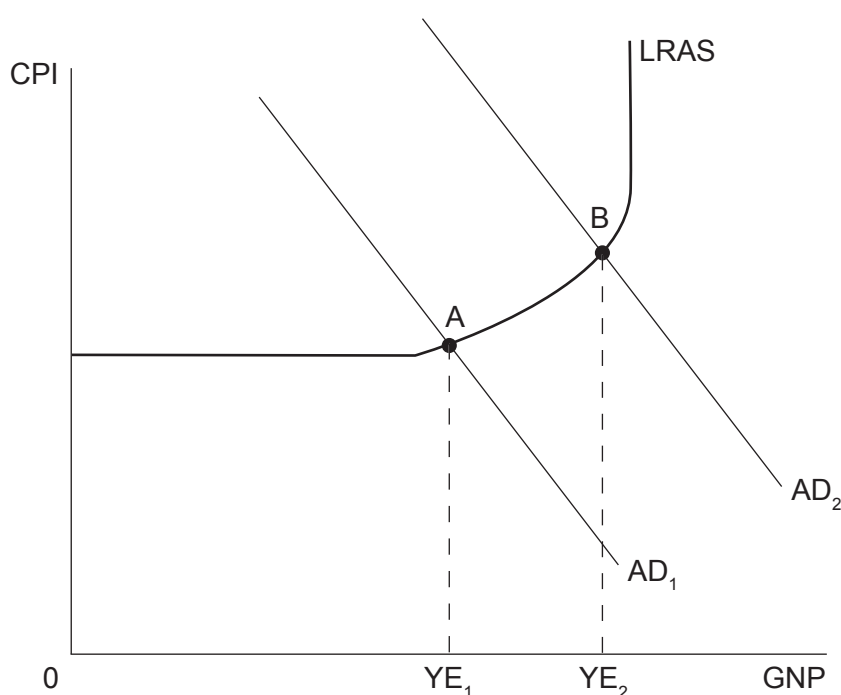
- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology,

concepts and models to the context of the question; where relevant, data and diagrams are used effectively to address the issues in the question.

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

[6]

- (c) In 2020 the UK experienced its worst recession in 300 years. To help the economy recover from this recession the Treasury borrowed to fund spending on the furlough scheme and other supports to business such as *the eat out to help out scheme and the Local Restrictions Support Grants*. At the same time the Bank of England slashed interest rates to 0.1% and pumped an extra £450 million into the UK economy through its Quantitative Easing programme. These expansionary monetary and fiscal policies were designed to increase aggregate demand and therefore increase output and employment as shown on the diagram below.



Issues and areas for analysis include:

- Definition/explanation of monetary policy
- Definition/explanation of fiscal policy
- Explanation of expansionary fiscal policy
- Explanation of expansionary monetary policy
- Discussion of the likely impact of expansionary monetary and fiscal policies on the UK economy
- Appropriate examples
- Appropriate diagram

Level 1 ([1]–[3])

A basic response provides an answer that demonstrates:

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

AVAILABLE
MARKS

Level 2 ([4]–[6])

A good response provides an answer that demonstrates:

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

Level 3 ([7]–[9])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used effectively to address the issues in the question.
- Excellent, relevant analysis used accurately and appropriately in relation to the impact on economic agents. [9]

- (d) The UK government has a range of macroeconomic priorities including promoting sustainable economic growth, reducing unemployment and economic inactivity, maintaining low and stable rates of inflation, reducing the budget deficit and national debt, reducing imbalances in trade, reducing pollution and reducing income and wealth inequality. Some people believe that the pandemic has not only highlighted the inequality in the UK but has also exacerbated it. They believe that taking action to reduce inequality would not only be politically popular but would also be economically desirable and more importantly achievable in light of the ability of the government to borrow at historically low rates of interest.

Issues and areas for analysis include:

- Explanation of alternative macroeconomic objectives
- Discussion of benefits of reducing inequality
 - Link between inequality and social issues such as crime rates, poor health, addiction etc
 - Multiplier effects of redistribution
 - Impact of redistribution on total welfare
 - Reference to low borrowing costs making it easier for governments to borrow to support those on low incomes
- Discussion of the possible drawbacks of policies designed to reduce inequality
 - Impact of policies on incentives to work
 - Impact of policies on budget deficit and national debt
- Reference to the importance of alternative macroeconomic objectives – policies to reduce unemployment and promote economic growth could help to reduce inequality
- Reference to policy trade-offs
- Appropriate examples
- Appropriate diagram

Level 1 ([1]–[5])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts, and models to the context of the question. Some limited use of data, and diagrams where relevant, in relation to the context of the question.
- Basic analysis and evaluation; however, this may lack focus.
- Judgement(s) unsupported.
- A low quality of written communication.

Level 2 ([6]–[10])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts, and models to the context of the question; where relevant, some reasonable use of data and diagrams in relation to the context of the question.
- Good analysis and evaluation in relation to the impact on economic agents; however, this may not be developed fully or may have inaccuracies at times.
- Reasonable judgement(s) building on analysis.
- A good quality of written communication.

Level 3 ([11]–[15])

An excellent response provides an answer that demonstrates:

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

[15]

**AVAILABLE
MARKS**

35

Section B

35

7 Supply side policies are policies that aim to improve the productive potential of the economy. The aim of supply side policies is to shift the LRAS to the right and therefore the economy should benefit from higher employment, higher growth and lower inflation. As president Donald Trump introduced a range of supply side measures designed to support US businesses, including cuts to corporate taxes and the removal of what he considered unnecessary business regulations around worker's rights and environmental protection. However, some people argue that while supply side policies may benefit large firms they also harm the interests of individual workers and the environment. For example, they argue that:

- Privatisation and the outsourcing of government activities could lead to workers being laid off as firms try to reduce costs and become more efficient.
- Working conditions in the new private firms are often not as good as in the public sector.
- Deregulation of industry could make it easier for firms to lay off workers and pollute the environment.
- Reducing the power of Trade Unions also harms workers since it often leads to lower wages and poorer working conditions.
- Relaxing the legislation around maximum working hours could lead to workers being forced to work long hours for fear of being laid off if they refuse.
- By encouraging increases in economic output, supply side policies can lead to greater energy use and hence environmental damage.

However, some supply side policies can actually benefit employees. For example:

- Cutting corporation tax rates could encourage business investment and therefore creates jobs rather than destroys them.
- Cutting income tax could improve the incentive to work and helps employees since they get to keep more of their earnings.
- Education and training reforms could help potential employees get a job or get a better job.
- Grants and subsidies to business could help individuals start their own business and therefore create jobs. If these subsidies are targeted at environmentally friendly firms they may help protect the environment.

Issues, analysis and areas for discussion include:

- Explanation of supply side policies
- Examples of supply side policies used in the US or elsewhere
- Discussion of the negative impact of supply side policies on workers
 - Impact on pay, job security, working conditions etc
- Discussion of the positive impact of supply side policies on workers
 - Impact on job opportunities, training opportunities and self-employment etc
- Discussion of the negative impact of supply side policies on environment
- Discussion of the positive impact of supply side policies on environment
- Relevant examples
- Relevant diagrams

Level 1 ([1]–[7])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts, and models to the context of the question; some limited use of data, and

- diagrams where relevant, in relation to the context of the question.
- Basic analysis and evaluation however this may lack focus.
- Judgement(s) unsupported.
- A low quality of written communication.

Level 2 ([8]–[14])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts, and models to the context of the question; some reasonable use of data, and diagrams where relevant, in relation to the context of the question.
- Good analysis and evaluation in relation to the impact on economic agents; however this may not be developed fully or may have inaccuracies at times.
- Reasonable judgement(s) building on analysis.
- A good quality of written communication.

Level 3 ([15]–[20])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used effectively to address the issues in the question.
- Well focused, relevant analysis and evaluation used accurately and appropriately in relation to the impact on economic agents.
- Informed judgements that directly address the issues in the question and reach clear conclusions built on analysis.
- An excellent quality of written communication. [20]

AVAILABLE
MARKS

20

- 8 Unemployment is the situation in which people who are able and willing to work are unable to find jobs.

Economic inactivity is the situation in which people of nominal working age have dropped permanently or temporarily out of the labour market for a variety of reasons. These may include long-term illness or disability; early retirement; having a wealthy and generous life partner; education, re-training or a 'career break'; and family responsibilities – for example, care for children or the elderly.

For some economists, economic inactivity is a bigger issue for the UK than unemployment – not least because, as the figures in the source indicate, economic inactivity is four times greater than unemployment. They argue that this represents a significant waste of the UK's most important resource – labour. They also claim that high levels of economic inactivity can cause lasting problems in terms of the UK's skills base and hence productivity. There is a further suggestion that social issues such as crime, substance abuse and poverty are more strongly correlated with economic inactivity than with unemployment.

Others, however, suggest that targeting reductions in the economic inactivity rate is misguided, as not all forms of economic inactivity are necessarily a bad thing. Those in full-time education are investing in their own and the nation's social capital. People who have retired from paid employment often still contribute valuable voluntary and community work. When experienced workers leave an industry, they create opportunities for younger, possibly more innovative or energetic people. Stay-at-home parents make a significant investment in their children's future. Also, many "economically inactive" people choose that status in order to look after elderly or incapacitated members of their family, thereby reducing the burden on the state.

There is also an argument that the government should first look to ensure that those who are actively seeking work can find work, before focusing on those who are economically inactive.

Issues, analysis and areas for discussion include:

- Explanation of the difference between unemployment and economic inactivity
- Reference to the measurement of unemployment and economic inactivity
- Reference to causes of and reasons for unemployment and economic inactivity
- Reference to relative impact of unemployment and economic inactivity on areas such as economic growth, productivity, government finances, social cohesion etc
- Reference to effectiveness or otherwise of government policies to reduce unemployment and economic inactivity
- Appropriate examples
- Appropriate diagrams

Level 1 ([1]–[7])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts, and models to the context of the question; some limited use of data, and diagrams where relevant, in relation to the context of the question.

- Basic analysis and evaluation however this may lack focus.
- Judgement(s) unsupported.
- A low quality of written communication.

Level 2 ([8]–[14])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts, and models to the context of the question; some reasonable use of data, and diagrams where relevant, in relation to the context of the question.
- Good analysis and evaluation in relation to the impact on economic agents; however this may not be developed fully or may have inaccuracies at times.
- Reasonable judgement(s) building on analysis.
- A good quality of written communication.

Level 3 ([15]–[20])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used effectively to address the issues in the question.
- Well focused, relevant analysis and evaluation used accurately and appropriately in relation to the impact on economic agents.
- Informed judgements that directly address the issues in the question and reach clear conclusions built on analysis.
- An excellent quality of written communication. [20]

Section C

Total

**AVAILABLE
MARKS**

20

20

80