



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2022**

Economics

Assessment Unit AS 2

assessing

Managing the National Economy

[SEC21]

THURSDAY 26 MAY, AFTERNOON

**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.

COVID-19 Context

Given the unprecedented circumstances presented by the COVID-19 public health crisis, senior examiners, under the instruction of CCEA awarding organisation, are required to train assistant examiners to apply the mark scheme in case of disrupted learning and lost teaching time. The interpretation and intended application of the mark scheme for this examination series will be communicated through the standardising meeting by the Chief or Principal Examiner and will be monitored through the supervision period. This paragraph will apply to examination series in 2021–2022 only.

		AVAILABLE MARKS
1	A withdrawal or leakage from the circular flow is a factor which reduces the flow of income around the economy. Examples of withdrawals include: taxation, saving and imports. Whereas an injection into the circular flow is a factor which increases the flow of income around an economy. Examples of injections include: investment, government spending and exports. [2] for clear distinction between withdrawals and injections [2] for appropriate examples [4]	4
2	The Gini coefficient for disposable income is 0.32. When the effect of indirect taxes is included the Gini coefficient rises to 0.36. This means that income inequality is greater after the imposition of indirect taxes. Hence indirect taxes are regressive in nature. [2] for explanation that demonstrates understanding that a higher Gini coefficient represents greater inequality [2] for explanation that indirect taxes increase income inequality [4]	4
3	(a) For calculation of net factor income from abroad as –€70 988 bn (€253 050 – €324 038) [2] For correct methodology but error in calculation or presentation [1] [2] (b) For calculation of GDP at market prices as €299 480.59 bn (€324 038 ÷ 108.2 × 100) [2] For correct methodology but error in calculation or presentation [1] [2]	4
4	A recession is defined as occurring when an economy experiences two consecutive quarters of negative economic growth. This economy experienced a recession in Q2–Q3 2018. The other period of negative economic growth Q2 2019 did not constitute a recession since growth was not negative for 2 consecutive quarters. [2] for clear definition of recession [2] for appropriate use to data to identify Q2–Q3 2018 as a recession [4]	4

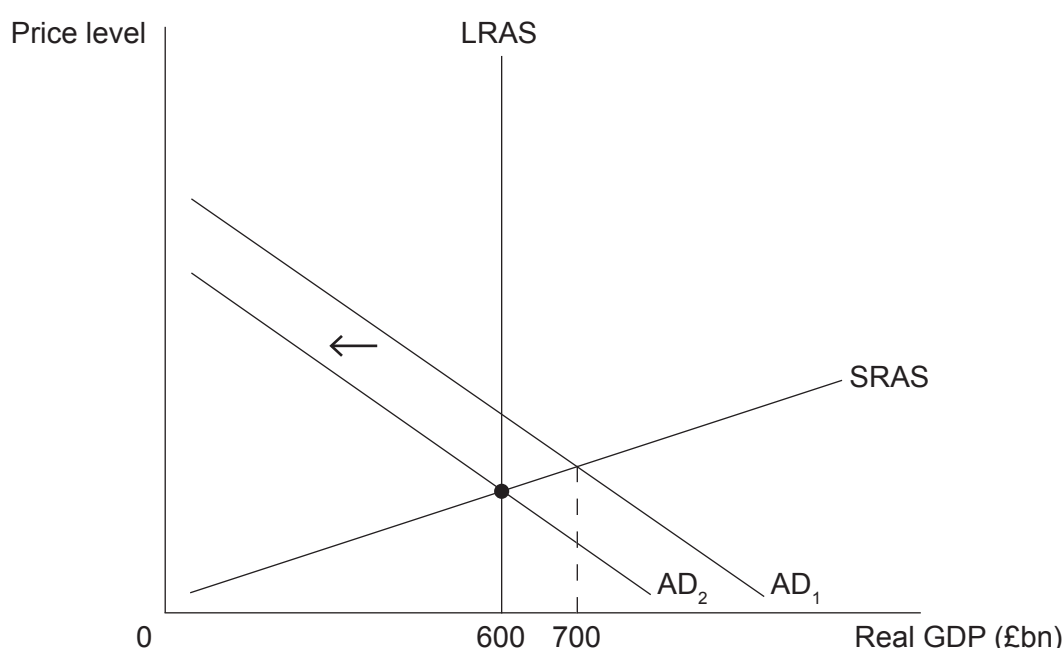
- 5 (a) A positive output gap occurs when the equilibrium level of national income exceeds the full employment level of national income. In the diagram the economy has a positive output gap equal to £100 bn.

[2] for explanation of a positive output gap

[1] for appropriate use of data

[3]

- (b) The government could deal with this positive output gap by using contractionary fiscal policy. Cutting government spending on welfare payments and the wages of public sector workers and raising taxes on income and company profits would lower aggregate demand and hence reduce the positive output gap as illustrated in the diagram below. Alternatively the government could use supply side fiscal policy to shift the LRAS curve to the right. For example investing in infrastructure such as improved broadband.



Issues and areas for analysis include:

- Explanation of fiscal policy
- Reference to contractionary fiscal policy designed to reduce AD
- Reference to fiscal policy designed to shift the LRAS
- Appropriate examples
- Appropriate diagram

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 Total

**AVAILABLE
MARKS**

9

25

- 6 (a) In January 2016 the rate of inflation was just 0.3%, however it increased to reach a high of 3.1% in November 2017. An increase of 2.8 percentage points. Inflation then began to fall reaching 1.8% January 2019, a fall of 1.3 percentage points or 42%. Inflation then increased again and was spot on the BOE target of 2% in May 2019. Overall inflation increased over the period.

[3] for appropriate description of trend

[2] for appropriate manipulation of data

[5]

- (b) A fall in inflation occurs when the rate of inflation falls from say 2.7% in August 2018 to 2% in May 2019. However when inflation falls in this way the average price level is still increasing albeit at a lower rate.

A fall in prices however refers to a rate of inflation which is negative (deflation). In the period shown in figure 1 prices never fell.

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) The source identifies a number of reasons why inflation is likely to remain flat for the next few quarters.

AVAILABLE
MARKS

Firstly there seems to be little scope for demand pull inflation as domestic political concerns and the difficult global trading environment mean that aggregate demand is likely to be subdued. At the same time falls in oil and energy prices generally mean that there is little pressure on costs and hence little expectation of cost push inflation.

Issues and areas for analysis include:

- Explanation of inflation and how it is measured
- Reference to demand pull and cost push inflation
- Reference to domestic political uncertainty and its likely impact on UK growth and AD
- Reference to difficulties in international trade and their likely impact on AD
- Reference to falls in oil and energy prices and the impact on SRAS
- Appropriate examples
- Appropriate diagrams

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.

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) Expansionary monetary policy refers to cuts in interest rates and increases in the money supply through for example quantitative easing. The aim of expansionary monetary is to stimulate AD and prevent the UK economy from falling into a recession or a prolonged period of low growth. However loosening monetary policy in this way can lead to inflation, asset bubbles and a depreciation of the exchange rate.

Issues and areas for analysis include:

- Explanation of expansionary monetary policy
- Reference to quantitative easing and/or reductions in interest rates
- Reference to impact of expansionary monetary policy on AD and employment, growth and inflation
- Reference to the elasticity of demand for loans and liquidity trap
- Reference to potential for asset bubbles
- Reference to impact of expansionary monetary policy on exchange rate
- Reference to alternative policies to stimulate AD and growth in the economy
- Appropriate examples
- Appropriate diagrams

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; analysis 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 in relation to the impact on economic agents; analysis 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 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

- 7 In the 1930's John Maynard Keynes predicted that growth would end within a century, arguing that in a finite planet endless growth was both impossible and undesirable. In recent years more and more economists have begun extolling the benefits of a zero growth economy. The key arguments relate to the impact that the continuing search for growth is having on the environment, resource depletion and on equality and human happiness. However, others argue that the search for growth is a fundamental principle in a market economy and that economic growth is the answer to many of the problems mentioned above rather than the cause.

Issues and areas for analysis include:

- Explanation of economic growth and how it is measured
- Reference to causes of economic growth
- Reference to the benefits of economic growth – higher living standards, higher levels of employment, greater investment, innovation and efficiency etc
- Reference to the disadvantages of economic growth – inflation, inequality, environmental damage, resource depletion, etc
- Reference to the impact of pursuing zero growth on the UK economy compared to other economies
- Reference to the effectiveness of a zero growth policy in the UK if other countries are pursuing positive growth policies
- Reference to the impact of zero growth on financial stability
- Reference to impact of zero growth on living standards if population growth continues
- 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; analysis 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 in relation to the impact on economic agents; analysis 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 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 There are a range of policies the UK government could use to try to increase productivity growth in the UK and close the gap with our competitors. These include:

- Increasing investment in education and training to improve the productive potential of the work force. However this is likely to be costly and involve significant time lags.
- Increasing investment in other infrastructure – Road, rail and airport capacity in the UK is currently well below our EU competitors. This, however, is costly and can take time to plan and deliver. It also has significant environmental impacts.
- Provide tax breaks or grants for firms to encourage innovation, research and development and managerial expertise. However, this is costly and it can be difficult to pick the right firms to support.
- Providing subsidies and other incentives for fixed capital formation. However the administration of these services can be costly and it can open the possibility of fraud.
- Reduce regulations and red tape to give firms the freedom to invest and improve their own productivity.
- Reduce the size of the public sector as the UK's relatively large public sector drains the best talent from the private sector and hence reduces productivity. However, this will impact on the scope and quality of public services.
- Increase the NMW and reduce immigration to make investing in machinery more attractive than depending on low wage low skilled workers. However, this can lead to higher unemployment and will increase the costs to firms.

Issues and areas for analysis include:

- Explanation of productivity and how it is measured
- Reference to causes of low productivity in the UK
- Reference to the benefits of higher productivity – higher living standards, higher levels of employment, greater investment innovation and efficiency etc
- Reference to policies to improve the nation's infrastructure both physical and human
- Reference to policies to encourage firms to invest
- Reference to the impact of increased automation on employment, prices, living standards and job security
- 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; analysis 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 in relation to the impact on economic agents; analysis 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 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]

Total

**AVAILABLE
MARKS**

20

80