Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCE AS Level
in Economics A (8EC0)

Paper 2: The UK economy – performance and policies

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General marking guidance

- All candidates must receive the same treatment. Examiners must mark the last candidate in exactly the same way as they mark the first.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than be penalised for omissions.
- Examiners should mark according to the mark scheme – not according to their perception of where the grade boundaries may lie.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification/indicative content will not be exhaustive.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, a senior examiner must be consulted before a mark is given.
- Crossed-out work should be marked unless the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1(a)	**Application 2** (128.2 – 128.4) / 128.4) X 100 or correct formula (1) = (-)0.15% Accept range (-)0.15 to (-)0.2 NB 2 marks for correct answer.	**(2)**

Question Number	Answer	Mark
1(b)	**Knowledge 1** **Knowledge/understanding** 1 mark for definition of deflation e.g. • A decrease in the general level of prices (1) • Negative change in average prices (1) • Negative inflation / inflation below zero (1)	**(1)**

Question Number	Answer	Mark
1(c)	A	**(1)**

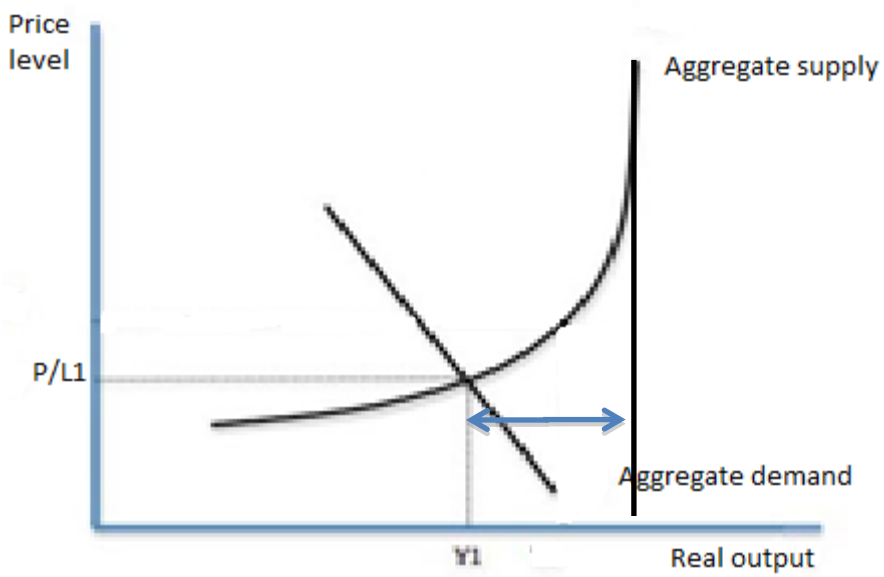
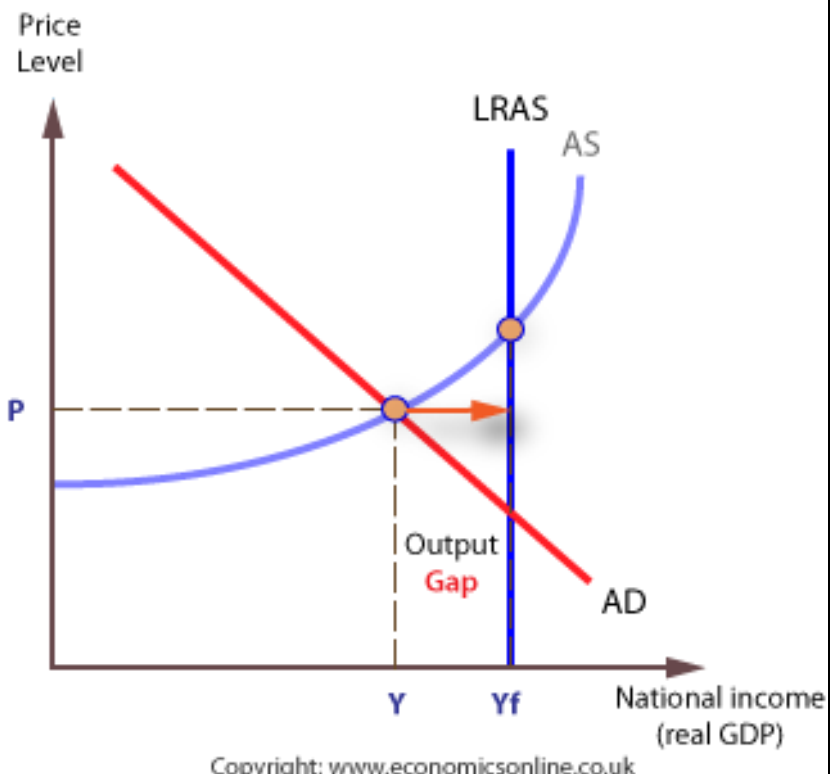
Question Number	Answer	Mark

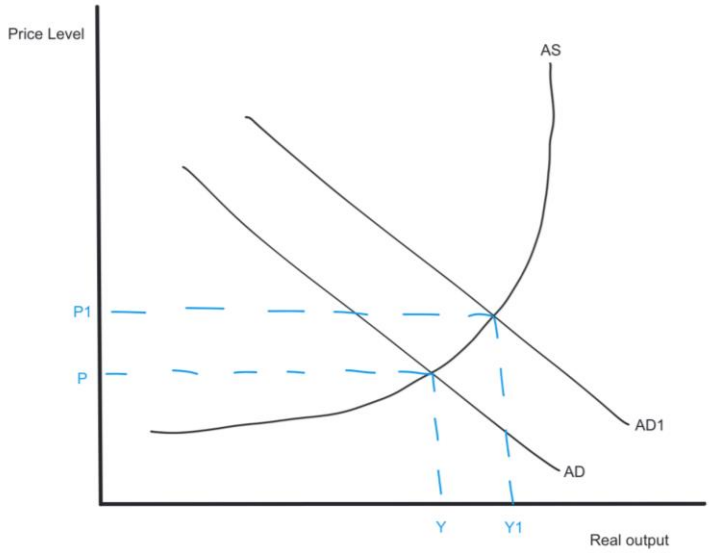
2 (a)	**Knowledge 1, Application 1, Analysis 1**
	
	Knowledge/understanding
	1 mark for definition of under-employment, e.g.
	• When a worker is working fewer hours than they would like to work (1)
	• When a worker is under-utilised in terms of ability (1)
	
	Application
	1 mark for reference to data provided e.g.
	• Has nearly doubled from 76 482 to 142 788 (1)
	• Increased by over 66 000 or 86% (accept 85% - 100%)
	• Unemployment fell to 5.7% but underemployment increased
	
	Analysis
	1 mark for further development e.g.
	• Reasons for increase:
	  ○ Recession/lack of demand in the market (1)
	  ○ Increase in zero-hours/part-time/flexible contracts offered by employers (1)
	  ○ Increased mechanisation/use of technology in the workplace (1)
	• Underemployment makes the unemployment figure look better than it is
	• Comment on impact of lower pay e.g. standard of living
		(3)

Question Number	Answer	Mark
2(b)	D	**(1)**

Question Number	Answer	Mark
3(a)	B	**(1)**

Question Number	Answer	Mark
3(b)	**Knowledge 2** **Knowledge/understanding** 1 mark for definition of GDP e.g. • Value of the total output (1) • Accept amount of final goods and services (1) • Total income / total expenditure (1) 1 mark for definition of real e.g. • Taking inflation into account (1) • Adjusted for changes in the price level (1)	**(2)**

Question Number	Answer	Mark
3(c)	**Knowledge 1** Output Gap Identification of a negative output gap on the diagram, either of those illustrated by the annotations below are acceptable (N.B. only ONE is required)   Copyright: www.economicsonline.co.uk	**(1)**

Question Number	Answer	Mark
4(a)	**Application 2** **Application** 2 marks for, e.g. • Correct rightward shift in AD: (1) • Correct new equilibrium point showing higher price level and higher real output (1)  NB Allow shift in AS curve to the right with lower price level and higher real output (1 + 1)	**(2)**

Question Number	Answer	Mark
4(b)	**Knowledge 1** **Knowledge/understanding** 1 mark for, e.g. • Tax on **income / earnings** (1) • Tax on business **profits** (1)	**(1)**

Question Number	Answer	Mark
4(c)	**C**	**(1)**

Question Number	Answer	Mark
5(a)	**Knowledge 1, Application 1, Analysis 1** **Knowledge/understanding** 1 mark for identifying a reason e.g. • Falling unemployment (1) • Rising incomes / economic growth (1) • Lower inflation rates (1) **Application** 1 mark for identifying an **improvement** in consumer confidence (1) or other single use of figures from the chart e.g. a low of -25 in 2012 (1) **Analysis** 1 mark for linked development of reason (1) e.g. economic growth leads to more predictable job security	**(3)**

Question Number	Answer	Mark
5(b)	D	**(1)**

Question Number	Answer	Mark
6(a)	**Knowledge 2, Application 2** **Knowledge/understanding** 1 mark for e.g. • Exports – imports / X – M (1) 2 marks for e.g. • Difference between total **value** of a country's exports and imports (2) **Application** 2 marks for e.g. • The UK net trade was -2% (1) • The UK has a trade **deficit** (1) • China has a trade **surplus** (1) • China's net trade was 3% (1) **e.g.** Germany had a trade surplus of 6% = 2 marks	**(4)**

Question Number	Indicative content	Mark
6(b)	**Knowledge 2, Application 2, Analysis 2** • Data reference to figure 1 of -2% for net trade • Strong value of the pound • Rising real income • Slow growth in the world economy • Low productivity in the UK e.g. around 20 percentage points below the G7 average	**(6)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.
Level 2	3–4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.
Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.

Question Number	Indicative content	Mark
6(b) continued	**Evaluation 4** • Export of services has grown • Productivity difficult to measure e.g. especially large service sector • Investment is increasing so productivity may rise in the future • Time period under consideration e.g. the pound is weakening against various currencies	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by chains of reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question.

Question Number	Answer	Mark
6(c)	**Knowledge 1, Application 2, Analysis 2** **Knowledge** 1 mark for, e.g. • Business confidence (1) • Interest rates (1) • Access to credit (1) • Rise in demand for UK exports (1) **Application** 2 marks for relevant references to context or one reference to context plus development, e.g. • 5% growth in investment (1) • Output rising at the fastest rate in the G7 (1) • GDP growth has remained strong (1) • Unemployment continued to drop (1) **Analysis** Linked development (1+1), e.g. • Lower interest rates reduces cost of borrowing incentivising firms to invest	**(5)**

Question Number	Answer	Mark
6(d)	**Knowledge 2, Application 2, Analysis 2** **Knowledge/understanding** Identification of two reasons (1+1) • Rising UK population relative to Germany's • Falling productivity in UK • Lack of exports in UK • Increased imports in UK (largely due to increased domestic consumption) • Change in relative cost of living • Different inflation rates in UK and Germany • Changes to PPP method of calculation, e.g. items in basket of goods • Change in value of US Dollar used for PPP calculations **Application** 2 marks for two data references from Figure 2 and/or extract A, or application of a diagram (1+1), e.g. • UK current account deficit 6% of GDP in third quarter 2014 (1) • Identify difference in growth of GDP per capita in Figure 2 e.g. 7 percentage points between 2010 and 2013 for the UK (1) **Analysis** Linked development of reasons (1+1). e.g. • falling UK productivity increases average cost of UK exports, making them more expensive relative to Germany's	**(6)**

Question Number	Indicative content	Mark
6(e)	**Knowledge 3, Application 3, Analysis 3** Policies may include: • Improved education/training to increase skill level of workforce • Increase in provision and quality of apprenticeships • Improved healthcare to ensure workers take less time off/are healthier at work • Improved infrastructure, e.g. roads, railways, ports, airports, to reduce delays in transporting goods around the country/abroad • Improved telecommunications infrastructure (e.g. faster broadband internet) so businesses can work quicker, communicate with foreign firms better, etc. • Relaxing the planning system to improve house-building and efficiency in construction industry; improve labour mobility **NB For a Level 3 response, answers must make clear links to increases in productivity rather than production or output**	**(9)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	7–9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
6(e) continued	**Evaluation 6** Points may include: • Many of these policies will have quite a long time lag e.g. nursery school vouchers will have short term and long term impacts on different stakeholders • Magnitude of the impact of the policies e.g. Crossrail just affects London • Opportunity cost of the policies • Conflicts between objectives e.g. impact on the environment • Conflicts between policies e.g. increased spending on apprenticeships may have fiscal implications	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question.

Question Number	Indicative content	Mark
6(f)	**Knowledge 4, Application 4, Analysis 6** • Explicit or implicit understanding of economic growth – a measure of the increase in either real GDP or real GDP per head or potential GDP • Relevant diagram e.g. AD/AS diagram showing rightward shift in AD and/or AS curve • Increased tax revenues for the government which may be used to improve public services or redistribute incomes • Higher profits for companies which may be used to improve quality products or to produce new products • Consumers' living standards improve e.g. can afford to buy more goods and services and/or have more leisure time • More employment opportunities/lower unemployment • If there is export–led growth, then the current account of the Balance of Payments would improve • Real economic growth increases LRAS and could lower inflation • An increase in business confidence which may lead to increase in investment • Investment in sustainable technology can have environmental benefits **NB the benefits of growth can be seen as KAA or evaluation and the costs of growth vice versa.** **NB For a level 4 response there must be explicit reference to "a number of concerns" which include:** • **current account deficit** • **decline in rate of return on UK investments** • **low export growth** • **growth lower than target** • **struggling goods industries** • **output falling in construction/manufacturing** • **growing household debt** • **imbalance of consumer driven growth** • **low productivity** • **skills shortage** • **house shortages** • **burdens on UK manufacturers**	**(14)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two-stage chain of reasoning only.
Level 3	7–10	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	11–14	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
6(f) continued	**Evaluation 6** • Demand pull inflation – may be shown by a rightward/upward shift in AD curve • Greater inequality e.g. companies may not invest but distribute profits to shareholders • Growth might involve depletion of natural resources • External costs of growth • Lack of sustainability • Short run/long run effects e.g. technological unemployment • Growth could cause a deterioration in the Balance of payments since Britain has a high marginal propensity to import • Growth from supply side improvements may reduce inflationary pressure • Social impact of increased economic activity e.g. work-life balance	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question, leading to a substantiated judgement.

Question Number	Indicative content	Mark
6(g)	**Knowledge 4, Application 4, Analysis 6** • High percentage of consumption in UK's aggregate demand in contrast to other countries in Figure 1 • Lack of export-led growth, resulting from the state of the global economy so the UK government's £1 trillion target is unrealistic • Falling rate of return on investments abroad • Rising consumer indebtedness • Dependence of consumer confidence on rising house prices which may not be sustainable • Size of UK government budget deficit/national debt may create problems as interest rates start to rise • Relevant diagram e.g. trade cycle • Fall in real incomes **NB One side of this argument should count as KAA and the opposing argument as Evaluation**	**(14)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	7–10	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	11–14	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated.

		Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
6(g) continued	**Evaluation 6** • UK has generally been a very consumer-driven economy • UK has persistently had a current account deficit/trade deficit and the economy has continued to grow • Financial reforms and increased oversight by the Bank of England have made a financial crisis less likely in the future • Falling commodity prices/low inflation generally benefits the UK economy as it is a net importer • Government is committed to a plan to get government debt under control in the long-term. This also increases confidence of UK government's lenders. • Macro policies, well timed, could prevent recession • Investment increasing 5% could counteract any recessionary pressures • Impact of Brexit / fall in the pound since 2016 • Global growth would have positive impact on UK especially service sector exports	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question, leading to a substantiated judgement.

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