AQA

A-level
Economics

7136/2-Paper 2 National and international economy
Mark scheme

7136

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Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows a description of the response at the middle of the level. There are marks in each level based on the division of the total number of marks for the question.

Before you apply the mark scheme to a student's answer, read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme, you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks will help with this. The exemplar materials used during standardisation will illustrate the performance needed to achieve a specific mark. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate. Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks. Examiners are required to assign each of the students' responses to the most appropriate level according to **its overall quality**, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the assessment objectives (see page 20) and be careful not to over/under credit a particular skill. For example, in questions 4, 8, 10, 12 and 14 more weight should be given to AO4 and AO3 than to AO1 and AO2. This will be exemplified and reinforced as part of examiner training and standardisation.

Below is the levels of response marking grid to be used when marking any 25 mark question.

Level of response	Response	Max 25 marks
5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21–25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16–20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.	**11–15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.	**6–10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.	**1–5 marks**

Section A

Context 1 **Total for this context: 40 marks**

0 1 Using the data in **Extract A (Figure 1)**, calculate the change in the effective exchange rate index, as a percentage, between November 2015 (point A) and November 2016 (point B). Give your answer to **two** decimal places.

[2 marks]

Calculation: $\frac{93.13 - 74.10}{93.13} \times 100 = 20.43380 = -20.43\%$ to two decimal places

Note: The candidate must include the 'minus' (-) sign or state that this is a 'fall' or 'depreciation' for the full 2 marks.

Response	**Marks**
For the correct answer (-20.43%) with the **%** sign and to two decimal places.	**2 marks**
For a correct answer (-20.43%) but without the % sign **and/or** not to two decimal places. Also, for an answer of 20.43% but without an indication of a minus (-), fall or depreciation.	**1 mark**

0 2 **Extract B** describes the trade figures as 'disappointing'.

Explain how the data in **Extract A (Figure 2)** show that the UK's trade performance has been 'disappointing' given the fall in the value of the pound since November 2015.

[4 marks]

Response:	**Max 4 marks**
• includes evidence that shows that the UK's trade performance has been disappointing given the fall in the value of the pound • clearly explains how this data is evidence that the UK's trade performance has been disappointing given the fall in the value of the pound.	**4 marks**
• includes evidence that shows that the UK's trade performance has been disappointing given the fall in the value of the pound • unclear explanation of how this data is evidence that the UK's trade performance has been disappointing given the fall in the value of the pound.	**3 marks**
• includes some limited evidence that shows that the UK's trade performance has been disappointing given the fall in the value of the pound • limited explanation of how this data is evidence that the UK's trade performance has been disappointing given the fall in the value of the pound.	**2 marks**
• includes evidence that does not clearly show that the UK's trade performance has been disappointing given the fall in the value of the pound • no explanation of how this data is evidence that the UK's trade performance has been disappointing given the fall in the value of the pound.	**1 mark**

Relevant issues include:

- explanation of relevant terms/phrases such as 'fall in the value of the pound', 'disappointing trade performance'
- explaining that a fall in the exchange rate should make the UK more internationally competitive, increasing exports, decreasing imports and reducing the trade deficit
- the balance of total trade is in deficit throughout the whole of the period from November 2015 to November 2016, indicating the value of exports has not overtaken the value of imports
- the total trade deficit ranges from £0.3bn in December 2015 to £5.3bn in September 2016, indicating either a falling value of exports or rising value of imports
- the total trade deficit ends larger than it started. In November 2015, the deficit was £2.5bn whereas in November 2016 it was £4.8bn
- the goods balance is in deficit throughout the whole period from November 2015 to November 2016 indicating the value of exports of goods has not overtaken the value of imports of goods
- the goods deficits range from £8bn in December 2015 to £13.8bn in September 2016
- the deficit in goods ends larger than it started. In November 2015, the deficit in goods was £9.5bn whereas in November 2016 it was £12.1bn
- the balance in services did not improve over the whole period. It started at £8bn in November 2015 and ended at £8bn in November 2016.

Note: Accept figures that are within a range of + or - £0.5bn.

0 3 **Extract C** (lines 8–9) states 'Trade deficits and surpluses may be self-correcting in a floating exchange rate system'.

With the help of a diagram showing the supply of and demand for currency, explain how a floating exchange rate may help to correct a trade surplus.

[9 marks]

Level of response	An answer that:	Max 9 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	**7–9 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram.	**4–6 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	**1–3 marks**

A demand and supply diagram is expected showing a rise in demand and/or a fall in supply of the currency. Axes vary on the Y axes of this diagram. Accept anything suitable that indicates the exchange rate but not "price" on its own.

Relevant issues include:

- definitions/explanations: exchange rate, floating exchange rate, correcting a trade surplus
- explaining how a trade surplus puts upward pressure on the exchange rate
- describing effects on the supply and demand for the currency
- describing an appreciation of the currency leading to a rise in export prices and a fall in the price of imports and explaining the subsequent impact on the volume and/or value of exports and imports
- considering the elasticity of demand for imports and exports and the (inverse) J curve effect
- linking the falling value of exports and/or rising value of imports to a reduction in the trade surplus.

0 4 **Extract B** (lines 19–21) states 'Although some argue that a current account deficit is not a problem, others point to the worryingly large and persistent nature of the deficit.'

Using the data in the extracts and your knowledge of economics, assess the impact of a persistent current account deficit on the macroeconomic performance of the UK economy.

[25 marks]

Areas for discussion include:

- definitions/explanations: trade or current account deficit, trade, balance of payments, macroeconomic performance
- explaining how a trade or current account deficit may impact upon:
  - economic growth
  - unemployment
  - inflation
  - other measures of performance
- considering the causes of the trade or current account deficit
- explaining the difference between trade in goods and services
- considering other parts of the current account of the balance of payments, ie primary and secondary income flows, and their significance
- the role of the capital and financial accounts
- the significance of having a floating exchange rate
- possible government responses to the deficit and their impact on macroeconomic performance
- the UK's past experiences with current account deficits
- the relative importance of the current account deficit in comparison to the other economic goals
- the "persistent" nature of the deficit
- the potential costs and benefits of surpluses on the financial account
- possible structural problems in the UK economy causing the imbalance.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 4 to award students marks for this question.

Section A

Context 2 **Total for this context: 40 marks**

0 5 Using the data in **Extract D (Figure 4)**, calculate the average amount saved per household in 2016 if average household income was £26 300. Give your answer to the nearest pound.

[2 marks]

Calculation:

£26 300 x 0.071 = £1867.30 = £1867 to the nearest £

Response	**Marks**
For a correct answer (£1867) with the £ sign.	**2 marks**
For a correct answer but without the £ sign **and/or** not to the nearest £ (eg £1867.30).	**1 mark**

0 6 Explain how the data in **Extract D (Figures 3 and 4)** show that consumer confidence may have risen since 2014.

[4 marks]

Response:	**Max 4 marks**
• includes evidence that shows that consumer confidence may have risen since 2014 • clearly explains how this data is evidence that consumer confidence may have risen since 2014.	**4 marks**
• includes evidence that shows that consumer confidence may have risen since 2014 • unclear explanation of how this data is evidence that consumer confidence may have risen since 2014.	**3 marks**
• includes some limited evidence that shows that consumer confidence may have risen since 2014 • limited explanation of how this data is evidence that consumer confidence may have risen since 2014.	**2 marks**
• includes evidence that does not clearly show that consumer confidence may have risen since 2014 • no explanation of how this data is evidence that consumer confidence may have risen since 2014.	**1 mark**

Relevant issues include:

- explanation of relevant terms such as saving ratio and consumer confidence
- explaining why the saving ratio may indicate consumer confidence
- explaining why the gross debt to income ratio is an indicator of consumer confidence
- the household gross debt to income ratio rose in 2014 to 141%, the first rise since 2011 indicating households were more willing to take on debt
- confidence may have been low before 2014, as household gross debt to income was falling from a high of about 168% in 2008 to a low of 140% in 2013 indicating households were reducing indebtedness
- forecast data for the household gross debt to income ratio indicate this will continue to rise until 2020 (to 162%) indicating households are expected to borrow more in the future
- the savings ratio fell in 2014 by 0.9 percentage points from 2012, but had a larger fall after 2014 by 1.3 percentage points in 2016 indicating a small rise in the marginal propensity to consume
- the lowest saving ratio was in 2016 at 7.1% indicating a peak in consumer confidence and willingness to consume
- confidence may have been low before 2014 as the savings ratio peaked in 2010 at 11.2% indicating household pessimism and a reluctance to spend.

0 7 **Extract E** (lines 16–17) states 'However, some argue that trying to maintain stable prices and low unemployment could create trade-offs.'

With the help of a diagram, explain why a trade-off between price stability and low unemployment might occur.

[9 marks]

Level of response	An answer that:	Max 9 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	**7–9 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram.	**4–6 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	**1–3 marks**

A short-run Phillips curve diagram is expected with co-ordinates plotted. An AD/AS diagram with an upward sloping AS curve and showing a shift in AD is also acceptable.

Relevant issues include:

- definitions/explanations: unemployment, price stability, inflation, trade-off
- explaining how lower unemployment leads to higher disposable incomes
- describing the possible effects on consumption and demand-pull inflation
- describing how a smaller pool of labour may cause labour shortages leading to increased wage demands and cost-push effects
- describing the wage-price spiral.

0 8 **Extract F** (lines 10–12) states 'The Austrian economist, Friedrich Hayek, highlighted artificially low interest rates and excessive credit creation as being the main causes of cyclical instability'.

Using the data in the extracts and your knowledge of economics, evaluate the view that maintaining low interest rates for a sustained period of time may be damaging to the UK's macroeconomic stability.

[25 marks]

Areas for discussion include:

- definitions/explanations: interest rates, monetary policy, economic stability, cyclical instability, credit creation
- explaining the possible effects of low interest rates on:
  - saving and borrowing, including loans and mortgages
  - consumption
  - investment
  - the exchange rate
  - confidence
- explaining the benefits of low interest rates for:
  - growth (long-run and short-run)
  - unemployment
  - inflation or avoidance of deflation
  - the current account of the balance of payments
- explaining the drawbacks of persistently low interest rates such as:
  - inflationary pressure and overheating the economy
  - asset-price and speculative bubbles
  - over-complacency in firms and the build-up of private-sector debt
  - effects on financial institutions and the real economy if people/firms default on their debt repayments
  - effects on the housing market if interest rates need to rise
  - effects on people relying on savings such as pensioners
  - possibly leading to malinvestment and sustaining zombie businesses
- considering why interest rates were low in the first place
- explaining the role of the MPC in setting Bank Rate and the factors taken into consideration when setting the rate
- explaining the monetary policy transmission mechanism
- explanation of alternative schools of thought regarding monetary policy
- the role of other aspects of monetary policy (eg forward-guidance or Q.E.) alongside conventional interest rate policy
- the potential short-term benefits of lower interest rates such as household consumption rising compared to long-term financial burden
- the role of the financial authorities in reducing the possibility of households taking on too much debt.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 4 to award students marks for this question.

Section B

Below is the levels of response marking grid which should be used to mark the 15 mark questions

Level of response	Response	Max 15 marks
3	**A good response provides an answer that:** • is well organised and develops a selection of the key issues that are relevant to the question • shows sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning.	**11–15 marks**
2	**A reasonable response provides an answer that:** • focuses on issues that are relevant to the question • shows satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places.	**6–10 marks**
1	**A weak response provides an answer that:** • has identified one or more relevant issues • has some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • has very limited application of relevant economic principles to the given context and/or data to the question • might have some limited analysis but it may lack focus and/or become confused.	**1–5 marks**

Section B

Essay 1 **Total for this essay: 40 marks**

0 9 Explain the main barriers that LEDCs face when attempting to achieve stable, long-term economic growth.

[15 marks]

Relevant issues include:

- definitions/explanations: economic growth, stable growth, LEDCs
- explaining the main characteristics of LEDCs with reference to measurements such as the HDI or GDP
- explaining factors that may be barriers to growth such as:
  - corruption
  - lack of property rights (both physical and intellectual)
  - poor infrastructure
  - a lack of, or poor quality, human capital
  - a lack of, or poor quality, physical capital
  - a lack of savings causing a lack of capital accumulation
  - institutional factors
  - primary product dependency
  - informal employment and a lack of tax revenue.

Note: some candidates may answer this question in terms of why MEDCs find it easier to achieve economic growth. This approach is fine and should be rewarded accordingly.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 13 to award students marks for this question.

1 0 Evaluate the view that MNCs play a positive role in the development of LEDCs.

[25 marks]

Areas for discussion include:

- definitions/explanations: economic development, MNCs, LEDCs
- positive roles of MNCs in developing nations such as the effects on:
    - employment and job creation
    - economic growth (short-run and long-run)
    - the trade balance (eg increase exports)
    - productivity and international competitiveness
    - infrastructure
    - investment and positive multiplier effects
    - development of human capital
    - knowledge and technological transfer
    - standards of living
- potential negative roles of MNCs in developing nations such as the effects on:
    - the environment
    - the exploitation of workers
    - the destruction of culture
    - the indigenous industries being unable to compete
    - the unfair political influence which MNCs may possess
    - possible tax avoidance
    - the repatriation of profits which is negative on GNP
- explaining the main differences between LEDCs and MEDCs
- examples of MNCs and countries in which they have set up
- the issue that job creation may be limited due to the capital-intensive nature of the FDI and filling management roles from the source nation
- that the role depends upon the objectives of the MNC and that initial positive effects may change over time
- what may happen if the MNC had not been involved in the economy. Would domestic firms have fared better?
- the individual government's ability to control the power of the MNCs may determine whether, on balance, they have a positive impact on development.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 4 to award students marks for this question.

Essay 2

Total for this essay: 40 marks

1 1 Explain how fiscal policy can be used to try to improve the supply side of an economy.

[15 marks]

Relevant issues include:

- definitions: fiscal policy, government spending, taxation, supply-side policy
- explaining how government spending can help the supply-side through:
    - the provision of education and training
    - the provision of infrastructure
    - grants and subsidies for R+D and investment
    - increased spending on transportation to increase geographical mobility
    - industrial and regional policy
    - reduction of out-of-work welfare benefits to reduce the replacement ratio and increase labour supply
    - the use of in-work welfare benefits
- explaining how taxation can help the supply side through:
    - reducing corporation tax to encourage enterprise and FDI
    - reducing business rates to encourage investment
    - reducing income tax to encourage labour participation
    - altering income tax rates and thresholds to encourage labour participation
    - using reduced taxation, such as business rates, as part of regional policy.
- explaining how supply-side policies improve the quantity and quality of the factors of production
- explaining how supply-side policies can target both labour and product markets
- explaining how supply-side policies can be interventionist or market based

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The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 13 to award students marks for this question.

1 2 Evaluate whether achieving a budget surplus is a desirable objective of economic policy.

[25 marks]

Areas for discussion include:

- definitions/explanations: budget surplus/deficit, budget, fiscal policy
- explaining arguments in favour of a budget surplus such as:
  - reduction of national debt
  - reducing the burden on future generations
  - the possible improvements to government credit ratings and the effect on coupon rates and debt interest
  - the reduction of crowding out
  - the possible reduction in inflation
- explaining arguments against a budget surplus such as:
  - the possible effects of reduced government spending on merit and public goods
  - the possible effects of reduced spending on the supply side of the economy
  - the possible effects of increased taxation on consumption, and investment
  - the possible effects of increased taxation on international trade
  - the possible effects of a negative multiplier effect
- explaining the possible causes of the UK budget deficit
- explaining the reasons for government spending and types of spending (current, capital, transfer payments)
- the possibility that a budget surplus may be achieved automatically with economic growth rather than discretionary changes
- the debt to GDP ratio may be falling if the economy is growing even if the economy is still running a deficit
- the causes of the deficit may be vital in understanding whether a surplus is desirable, for example, is the deficit a cyclical or structural deficit?
- the state of the economy and position on the economic cycle determines whether a surplus is likely or achievable
- the view that balancing or achieving a small surplus on the current budget is desirable but borrowing to invest isn't a problem
- the issue that borrowing may be beneficial and cheap when coupon rates are low.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 4 to award students marks for this question.

Essay 3

Total for this essay: 40 marks

1 3 Explain the causes of cyclical **and** structural unemployment.

[15 marks]

Relevant issues include:

- definitions/explanations: unemployment, cyclical unemployment, structural unemployment
- in terms of cyclical unemployment, explaining:
  - that cyclical unemployment is often seen as involuntary
  - that cyclical unemployment is linked to demand deficiency
  - possible causes of a fall in aggregate demand
  - the derived demand for labour and linking cyclical unemployment to national output
  - interdependence of economies and global downturns
  - reduction in confidence and animal spirits
  - problems in financial markets affecting the real economy
  - causes of negative output gaps or causes of falling output and linking this to the demand for labour
  - recessions and possible negative multiplier and accelerator effects on cyclical unemployment
- in terms of structural unemployment, explaining:
  - structural unemployment may come about by the decline of an industry due to changes in the pattern of demand
  - structural unemployment is often seen as voluntary
  - structural unemployment as essentially a supply-side problem
  - technological unemployment
  - examples in the UK where structural unemployment has occurred
  - skills mis-matches and the need for geographical and occupational mobility
  - globalisation and the rise of emerging economies
  - potential regional issues and the effects on particular industries.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 13 to award students marks for this question.

1 4 Assess the view that falling unemployment will inevitably lead to an improvement in the standard of living for people in the UK.

[25 marks]

Areas for discussion include:

- definitions/explanations: unemployment, standard of living, quality of life
- explaining why falling unemployment may improve living standards through:
  - increased incomes and consumption possibilities
  - allowing individuals to have more disposable income to spend on leisure
  - motivational and possible health effects
  - social interaction
  - increased tax revenue allowing government to continue spending without accumulating debt
- explaining how falling unemployment may not improve living standards such as:
  - possible inflationary effects which may do little to help those on fixed incomes or low bargaining power
  - inequality may get worse particularly for those not in work
  - cost of living increases
  - reduced unemployment may indicate increased output which may indicate more pollution
- explaining other measures of the standard of living such as the HDI
- explaining quality of life factors
- the issue that the type of work and bargaining power of the workers may determine the relative winners and losers from falling unemployment
- productivity and implications for growth and wages
- the possible effects on firm's costs of a tight labour market and the potential of cost-push inflationary pressure
- the nature and security of the jobs that have been created by considering the effects of zero-hours contracts on issues such as the ability to access credit, job security and incomes
- issues around the 'gig economy', underemployment and the lack of permanent or constant employment and income.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 4 to award students marks for this question.