AQA

A-level ECONOMICS

Paper 2 Specimen Assessment Material

Mark scheme

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.

Further copies of this mark scheme are available from aqa.org.uk

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 candidates' 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 questions.

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 **Total for this Context: 40 marks**

Context 1

01 *Using the data in **Extract A,** calculate, to **one** decimal place, the percentage change in the total net trade balance in goods with the UK's top five trade partners from February - April 2012 to February–April 2013.*

[2 marks]

Calculation:

The net trade balance in goods for February–April 2012 is –£9.2bn and for February–April 2013 is –£10.5bn therefore the percentage change is 14.1%.

Response	**Marks**
For the correct answer with the % sign and to 1 decimal place	**2 marks**
For a correct answer but without the % sign **and/or** not to one decimal place	**1 mark**

MAXIMUM FOR QUESTION 01: 2 MARKS

02 *Explain how the data in **Extract A** show that the UK is having more success in trading goods with the rest of the world than with Europe.*

[4 marks]

Response:	**Max 4 marks**
• includes evidence that shows that the UK is having more success in trading goods with the rest of the world than with Europe • clearly explains how this data is evidence of increased trade with the rest of the world	**4 marks**
• includes evidence that shows that the UK is having more success in trading goods with the rest of the world than with Europe • unclear explanation of how this data is evidence of increased trade with the rest of the world	**3 marks**
• includes evidence that shows that the UK is having more success in trading goods with the world than with Europe • limited explanation of how this data is evidence of increased trade with the rest of the world	**2 marks**
• includes evidence that does not clearly show that the UK is having more success in trading goods with the rest of the world than with Europe • no explanation of how this data is evidence of increased trade with the rest of the world	**1 mark**

Relevant issues include:

- Evidence of reducing deficit in trade in goods or increasing surplus in trade in goods with the rest of the world countries is an indication of more success
- the only country with which the UK has a trade surplus is outside Europe, ie USA
- between February–April 2012 and February–April 2013 the UK's trade balance deteriorated with the three countries in Europe but improved with the two countries in the rest of the world
- in February–April 2012 the UK's biggest deficit (£5.5 billion) was with China, the rest of the world, whereas in February–April 2013 the UK's biggest deficit (£5.9 billion) was with Germany, inside Europe

MAXIMUM FOR QUESTION 02: 4 MARKS

03 ***Extract B*** *(lines 12–13) states 'The Government last night released research suggesting a US-EU agreement sweeping away trade barriers would particularly benefit the automotive, financial and chemical sectors.'*

With the help a diagram, explain the extent to which the removal of a tariff might affect the volume of imports into the UK.

[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 standard tariff diagram is expected, illustrating the volume of imports with and without a tariff.

Relevant issues include:

- a tariff as a tax on imports
- removing the tariff makes imports more competitive
- the impact on the demand for imports and the supply of home produced goods
- the relevance of elasticities.

MAXIMUM FOR QUESTION 03: 9 MARKS

04 ***Extract C*** *(lines 10–11) suggests that 'Increased protectionism could be damaging as the UK is placing much of its hope for export success on the growing Chinese market.'*

Using the data in the extracts and your economic knowledge, evaluate the view that the use of protectionism is inevitably damaging to economies.

[25 marks]

Areas for discussion include:

- meaning and types of protectionism
- criteria for assessing whether protectionism is damaging, eg resource allocation, employment, growth, environmental impact, social factors
- benefits of free trade as illustrated by the principle of comparative advantage
- dynamic benefits of free trade, eg increased competition, economies of scale
- the problems that may result from free trade
- various arguments for protectionism, eg protection of sunrise and sunset industries, diversification of output, protection of employment, low wage arguments, protection against dumping, raising revenue to correct balance of payments deficits
- protectionism and trading blocs
- trade creation and trade diversion
- protectionism, living standards and inflation
- impact on different economies, eg developed versus developing economies
- protectionism as a means of dealing with domestic macroeconomic problems
- retaliation and 'beggar thy neighbour' policies
- short-run and long-run consequences
- exchange rate changes as an alternative to protectionism or as a form of protectionism, eg emerging economies fixing their exchange rates at a low level to encourage export-led growth.

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

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

MAXIMUM FOR QUESTION 04: 25 MARKS

Section A
Context 2 **Total for this Context: 40 marks**

05	If UK GDP in 2012 was $2375 billion, use the data in **Extract D** to calculate, **to the nearest $billion**, the difference in forecast UK GDP between the IMF's initial and revised growth forecasts. ***[2 marks]***

Calculation:

The initial forecast is for a 0.9% growth therefore $2396.375bn; however the new forecast is 1.4%, giving $2408.25bn. The difference is therefore $11.875bn ($12bn to the nearest bn).

Response	**Marks**
For the correct answer with the units specified (ie $bn) and to the nearest $bn	**2 marks**
For a correct answer but without the units **and/or** not to the nearest $bn	**1 mark**

MAXIMUM FOR QUESTION 05: 2 MARKS

06 *Explain how the data in **Extract D** show that the IMF has become less confident about growth rates.*

[4 marks]

Response:	**Max 4 marks**
• includes evidence that shows that the IMF is being less confident about growth rates • clearly explains how this data is evidence of a lack of confidence.	**4 marks**
• includes evidence that shows that the IMF is being less confident about growth rates • unclear explanation of how this data is evidence of a lack of confidence.	**3 marks**
• includes evidence that shows that the IMF is being less confident about growth rates • limited explanation of how this data is evidence of a lack of confidence.	**2 marks**
• includes evidence that does not clearly show that the IMF is being less confident about growth rates • no explanation of how this data is evidence of a lack of confidence.	**1 mark**

Relevant issues include:

- Evidence that revised IMF forecasts are below initial IMF forecasts is an indication of less confidence.
- the new world average forecast growth rate is lower than the original forecast and supports the overall conclusion that the IMF is less confident for the world economy in October 2013 than it was in April 2013
- this indicates that other economies that aren't specifically mentioned are dragging down the average
- the growth predictions for the two largest economies have been downgraded.

MAXIMUM FOR QUESTION 06: 4 MARKS

07 ***Extract E*** *(lines 4–6) states 'the UK may soon be growing at an annual rate of between 3 and 4% and the Bank could not be certain when it might need to tighten policy.'*

With the help of a diagram, explain why interest rates may need to rise if growth rates increase.

[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**

An AD/AS diagram is expected.

Relevant issues include:

- growth, aggregate demand and potential output
- the impact of faster growth on the size of the output gap
- impact of rising interest rates on aggregate demand
- growth and inflation
- growth and the balance of payments.

MAXIMUM FOR QUESTION 07: 9 MARKS

08 ***Extract F*** *(lines 14–17) states 'Investment forecasts are being revised downward and on top of speculation of interest rate rises and criticism of the UK's quantitative easing programme, the outlook is not looking as good as forecasts first indicated.'*

Using the data in the extracts and your economic knowledge, evaluate the effectiveness of monetary policy in achieving macroeconomic stability in UK.

[25 marks]

Areas for discussion include:

- nature of monetary policy
- the Bank of England/MPC and the operation of monetary policy in the UK
- what is meant by macroeconomic stability and the indicators of macroeconomic performance
- how monetary policy affects macroeconomic performance, eg by influencing aggregate demand, influencing expectations, impacts on financial markets
- monetary policy transmission mechanisms
- role of interest rates in affecting aggregate demand
- limitations of changes in bank rate, eg likely to be less effective when confidence is low, may not be reflected in market interest rates, the lower pound problem
- quantitative easing, Funding for Lending, Forward Guidance and other less conventional monetary measures
- monetary policy as a means of fine-tuning the economy and responding to economic shocks
- monetary policy and long-run growth
- monetary policy, debt and asset prices
- monetary policy and the exchange rate
- monetary policy in a world of floating exchange rates and 'unrestricted' capital flows
- the contribution, or otherwise, of monetary policy to the period of stability (eg 1993–2006)
- the contribution of monetary policy to the credit crunch
- the impact of monetary policy since the credit crunch.

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

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

MAXIMUM FOR QUESTION 08: 25 MARKS

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**

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

09 *Explain why economic growth is a key objective of UK Government economic policy.* ***[15 marks]***

Relevant issues include:

- the nature of economic growth
- short-run versus long-run growth
- UK economic growth and living standards
- UK economic growth, tax revenues, public spending and the budget balance
- UK economic growth, inequality and poverty
- UK economic growth and employment
- UK economic growth and inflation
- UK economic growth and the balance of payments, including export-led growth
- the relationship between the government's wider political and social objectives, eg political and military power, the environment.

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

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

MAXIMUM FOR QUESTION 09: 15 MARKS

10 *Evaluate the view that a reduction in UK unemployment is best achieved through the use of supply-side policies.*

[25 marks]

Areas for discussion include:

- UK unemployment and how it is measured
- different causes of UK unemployment
- nature of supply-side policies, interventionist v free-market policies
- supply-side policies and the natural rate of unemployment
- the impact of different supply-side policies on unemployment, eg reducing the replacement ratio, measures to improve labour mobility, reductions in corporation tax
- supply-side policies and real wage unemployment
- supply-side polices and long-term unemployment, eg when there is significant structural change, the problem of hysteresis
- relating supply-side policies to unemployment in the UK
- problems and limitations of supply-side policies as a means of reducing unemployment, eg impact on the budget deficit, time lags, effectiveness, government failure
- the benefits of using supply-side policies to reduce unemployment
- demand-side policies as a way of reducing unemployment, ie expansionary monetary and fiscal policy
- exchange-rate policy as a means of reducing unemployment
- benefits and limitations of demand-side policies
- potential conflicts with other policy objectives and ways of reconciling these conflicts
- circumstances when demand-side and/or supply-side policies are most appropriate
- issues relating to equity, inequality and poverty.

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

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

MAXIMUM FOR QUESTION 10: 25 MARKS

Essay 2 **Total for this Essay: 40 marks**

11 *Explain the possible demand-side consequences of an increase in taxation in the UK.* ***[15 marks]***

Relevant issues include:

- different types of taxes, eg direct v indirect, progressive, proportional and regressive
- taxation as a withdrawal from the circular flow of income
- how an increase in taxation affects aggregate demand
- the relationship between aggregate demand and each of the main objectives of UK macroeconomic policy, ie unemployment, growth, inflation and the balance of payments
- the different demand-side impacts of different tax changes, eg an increase in the rate of VAT versus a rise in the top rate of income tax
- multiplier effects
- the impact of tax changes on the pattern of demand and hence resource allocation, eg raising taxes on demerit goods
- the significance of elasticities of demand.

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

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

MAXIMUM FOR QUESTION 11: 15 MARKS

12 *Evaluate the view that the UK Government's policy of deficit reduction through lower government spending is unnecessary and undesirable.*

[25 marks]

Areas for discussion include:

- nature and causes of the budget deficit in the UK
- recent changes in the UK budget deficit
- cyclical and structural deficits
- the budget deficit and the national debt
- possible approaches to reducing the budget deficit, such as: cutting government spending, raising taxes and generating economic growth
- problems associated with large deficits, eg crowding-out effects, impact on interest rates and the UK's credit rating, 'inability' to borrow if no action is taken, the burden on future generations
- impact on aggregate demand and associated multiplier effects
- impact on the various macroeconomic policy objectives in both the short run and the long run
- the impact of cutting different types of government spending, eg spending on welfare benefits, education and health, capital spending
- Keynesian v neo-classical perspectives
- government spending and long-run growth
- whether growth and/or inflation will eliminate the deficit in the long run without significant cuts in government spending
- if cutting the deficit is deemed necessary, whether it should be achieved through cuts in spending or increases in taxation
- the distributional impact of cutting government spending, eg rich versus poor, regional effects
- equity considerations, including inter-generational equity
- reference to other economies, eg Greece, Japan, USA, including differences between the situation in the UK and other economies.

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

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

MAXIMUM FOR QUESTION 12: 25 MARKS

Essay 3 **Total for this Essay: 40 marks**

13 *Using examples to illustrate your answer, explain the difference between economic growth and economic development.*

[15 marks]

Relevant issues include:

- definitions of economic growth and economic development
- measures of economic growth
- measures of economic development
- concept of human development
- factors influencing economic growth
- factors influencing economic development
- limitations of GDP as an indicator of welfare
- difficulties of measuring development
- how growth can take place without development.

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

The use of examples of other economies to illustrate these differences should be taken into account when assessing the quality of response.

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

MAXIMUM FOR QUESTION 13: 15 MARKS

14 *Discuss the view that free trade is more effective than aid in promoting economic development in developing countries such as Ethiopia.*

[25 marks]

Areas for discussion include:

- the difference between economic development and economic growth
- the nature of free trade and preferential trading arrangements
- the role of multinational companies in global trade and economic development
- examples of how global trade policies impact on the economic development of a country, eg removal of tariff barriers into the EU provide an opportunity for greater exports
- factors that contribute to economic development, eg investment in infrastructure, investment in human capital, better health care and sanitation
- export-led growth
- exports as an injection into the circular flow of income with associated multiplier effects
- how export earnings generate foreign currency that can be used to finance imports that are necessary for development
- free trade leads to cheaper imports and can promote improvements in the competitiveness of domestic producers
- trade and comparative advantage
- trade may allow sectors within an economy to develop economies of scale and create opportunities to access new technology
- the view that exports promote self-reliance, whereas aid promotes dependency
- free trade may inhibit the development of infant industries
- free trade may lead to reliance on a limited range of products, maybe a few primary products, and lead to instability
- free trade may result in large, unsustainable current account deficits
- aid might damage domestic producers, eg food aid and agriculture
- aid may be directed at prestige projects and be misappropriated by corrupt officials
- aid can be effective in improving basic living standards and allow people to escape from poverty and disease
- effectiveness of aid depends on the type of aid and how it is distributed.

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

The use of examples of developing economies should be taken into account when assessing the quality of response.

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

MAXIMUM FOR QUESTION 14: 25 MARKS

Assessment objectives

	A01	A02	A03	A04	TOTAL
Section A					
Context 1					
1	1	1			**2**
2	1	2	1		**4**
3	2	4	3		**9**
4	4	4	7	10	**25**
Context 2					
5	1	1			**2**
6	1	2	1		**4**
7	2	4	3		**9**
8	4	4	7	10	**25**
Section B					
9	4	4	7		**15**
10	4	4	7	10	**25**
11	4	4	7		**15**
12	4	4	7	10	**25**
13	4	4	7		**15**
14	4	4	7	10	**25**
DRQ total	8	11	11	10	**40**
Essay total	8	8	14	10	**40**
Paper total	**16**	**19**	**25**	**20**	**80**



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