# A-Level
# Economics

## Paper 3 Economic principles and issues
## Final Mark scheme

7136
June 2017

Version/Stage: v1.0

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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## SECTION A

The following list indicates the correct answers used in marking the candidates' responses.

### KEY LIST

| | | | |
|---|---|---|---|
| **1** | D | **16** | B |
| **2** | B | **17** | C |
| **3** | A | **18** | B |
| **4** | A | **19** | C |
| **5** | C | **20** | A |
| **6** | C | **21** | D |
| **7** | C | **22** | B |
| **8** | C | **23** | A |
| **9** | D | **24** | D |
| **10** | A | **25** | B |
| **11** | D | **26** | D |
| **12** | A | **27** | A |
| **13** | A | **28** | D |
| **14** | C | **29** | C |
| **15** | D | **30** | D |

| | Total |
|---|---|
| A | 8 |
| B | 5 |
| C | 8 |
| D | 9 |
| | 30 |

# 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 the average performance for the level. There are marks in each level.

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 can help with this. The exemplar materials used during standardisation will help. 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.

## SECTION B

**INVESTIGATION** **Total for this investigation: 50 marks**

**3 1** *To what extent, if at all, do you consider that the UK manufacturing sector has been in decline since 2003? You must use the data in **Extract B** to support your assessment.*

**[10 marks]**

| Level of response | Response | Max 10 marks |
|---|---|---|
| 3 | **A good response that:**<br>• is well organised and includes at least three relevant, well-developed issues<br>• makes effective use of the numerical/statistical data in Extract B<br>• shows some appreciation of the limitations of the data<br>• includes a supported final judgement concerning the extent to which UK manufacturing industry has been in decline since 2003. | **8–10 marks** |
| 2 | **A reasonable response that:**<br>• is fairly well organised and includes at least two relevant and fairly well-developed issues<br>• includes some satisfactory use of the numerical/statistical data in Extract B<br>• may show some appreciation of the limitations of the data<br>• at the top of the level, is likely to include a final judgement regarding the extent to which UK manufacturing industry has been in decline since 2003. | **4–7 marks** |
| 1 | **A weak response that:**<br>• is very brief and/or lacks coherence<br>• may include one or more superficial points regarding the extent to which UK manufacturing industry has declined since 2003<br>• contains very limited or poor use of the data in Extract B<br>• doesn't show any appreciation of the limitations of the data<br>• may include an unsupported judgement concerning the decline in UK manufacturing since 2003. | **1–3 marks** |

When assessing the extent to which manufacturing industry has been in decline since 2003, most candidates are likely to base their assessment on the data in Extract B. However, they can also be rewarded for making relevant use of the other extracts and their own knowledge.

Allow candidates a small margin of error, particularly when quoting from Figures 1 and 2.

**Relevant issues include:**

- the changes in the index of output of manufacturing, e.g. the fluctuations and comparing the start and end values (97.8 to 96.6)
- the decline in employment between 2003 Q1 and 2009 Q1 (3.65m to 2.99m)
- the modest recovery in employment between 2009 Q1 and 2015 Q3
- discussion of output and employment as indicators of the possible decline in manufacturing
- changes in the exports of goods (increase of £97.1bn)
- changes in the imports of goods (increase of £171.2bn)
- changes in the balance of trade in goods (deteriorates by £74.1bn)
- not all goods are manufactures, e.g. basic commodities
- the trade figures do not take into account inflation
- the changing share of manufacturing but precise data for the period 2003 – 2015 has not been provided
- use of data concerning the rate of growth of manufacturing
- the growth of manufacturing compared to the rate of growth of real GDP
- some may use data in the extracts relating to car manufacturing and the steel industry.

As indicated in the table above, a good response will include a supported final judgement concerning the extent to which there has been a decline in manufacturing since 2003. It is likely that they will conclude that the evidence backs the view that manufacturing has declined over the period but should not be penalised for a different conclusion, provided it is well supported.

**MAXIMUM FOR QUESTION 31: 10 MARKS**

**3 2** *Explain why, in advanced economies, economic growth is usually accompanied by a fall in employment in manufacturing but an increase in employment in the service sector.*

**[15 marks]**

| Level of response | Response | Max 15 marks |
|---|---|---|
| 3 | **A good response provides an answer that:**<br>• is well organised and develops a selection of the key issues that are relevant to the question<br>• shows sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors<br>• includes good application of relevant economic principles and, where appropriate, good use of data to support the response<br>• includes well-focused analysis with clear, logical chains of reasoning. | **11–15 marks** |
| 2 | **A reasonable response provides an answer that:**<br>• focuses on issues that are relevant to the question<br>• shows satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present<br>• includes reasonable application of relevant economic principles and, where appropriate, some use of data to support the response<br>• 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:**<br>• has one or more relevant issues identified<br>• has some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely<br>• has very limited application of relevant economic principles and/or data to the question<br>• might have some limited analysis but it may lack focus and/or become confused. | **1–5 marks** |

**Remember:** AO4, i.e. evaluation, is **not** being assessed through this question.

**Relevant issues include:**

- use of data, eg regarding the share of manufacturing output and employment in the UK and other advanced economies
- the significance of the different income elasticities of demand for manufactures and services when there is growth and incomes are rising
- consideration of why and how the pattern of demand and people's wants and needs change
- the impact of foreign competition on manufacturing output in advanced economies
- the move away from labour intensive manufacturing in advanced economies
- the relevance of changes in productivity, likely to be higher in manufacturing than in the service sector
- high quality services sometimes require a more labour-intensive delivery
- why technology, comparative advantage and the focus on high value added manufacturing in advanced economies affect employment in manufacturing
- the significance of the fall in the relative price of manufactured products (especially in comparison with services)
- the significance of government policies
- the significance of the exchange rate.

A good response is likely to recognise explicitly that output and employment in manufacturing are linked. The best answers are also likely to show that they understand the significance of changes in productivity but a candidate could achieve level 3 without mentioning productivity.

**MAXIMUM FOR QUESTION 32: 15 MARKS**

**3 3** *Taking into account **Extract D**, and the original evidence presented in **Extracts A**, **B** and **C**, would you recommend that the government should intervene to support the UK steel industry? Justify your recommendation.*

**[25 marks]**

| Level of response | Response | Max 25 marks |
|---|---|---|
| **5** | **Sound, focused analysis and well-supported evaluation that:**<br>• is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors<br>• includes good application of relevant economic principles and, where appropriate, good use of data to support the response<br>• includes well-focused analysis with clear, logical chains of reasoning<br>• includes supported evaluation throughout the response and in a final conclusion. | **21–25 marks** |
| **4** | **Sound, focused analysis and some supported evaluation that:**<br>• is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors<br>• includes good application of relevant economic principles and, where appropriate, some good use of data to support the response<br>• includes some well-focused analysis with clear, logical chains of reasoning<br>• includes some reasonable, supported evaluation. | **16–20 marks** |
| **3** | **Some reasonable analysis but generally unsupported evaluation that:**<br>• 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<br>• includes reasonable application of relevant economic principles and, where appropriate, some use of data to support the response<br>• includes some reasonable analysis but which might not be adequately developed or becomes confused in places<br>• 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:**<br>• includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely<br>• includes some limited application of relevant economic principles and/or data to the question<br>• includes some limited analysis but it may lack focus and/or become confused<br>• includes some evaluation which is weak and unsupported. | **6–10 marks** |
| **1** | **A very weak response that:**<br>• includes little relevant knowledge and understanding of economic terminology, concepts and principles<br>• includes analysis which is, at best, very weak<br>• includes attempted evaluation which is weak and unsupported. | **1–5 marks** |

**Relevant issues and areas for discussion include:**

- data on the UK steel industry
- background to the recent problems of the UK steel industry
- the competitiveness of the UK steel industry
- comparative advantage and the efficient allocation of resources
- the significance of fall in the world market price of steel
- government imposed costs on UK steel, e.g. environmental regulations and high energy costs
- China and the possibility that steel is being dumped on the EU and UK market
- employment and structural unemployment
- regional consequences
- social, political and personal consequences
- the strategic importance of steel manufacturing
- impact on related industries
- multiplier effects
- actions that the government might take to support the steel industry
- constraints imposed by GATT, the WTO and membership of the EU
- pros and cons of individual policy responses
- the impact on the government's budget
- implications of providing financial support upon taxes and hence the burden imposed on other firms
- supply-side issues relating to government action
- the case for allowing market forces to decide the fate of the UK steel industry
- government failure and unintended consequences
- short-run and long-run effects of both supporting and not supporting the industry
- environmental consequences.

**An answer that does not include any evaluation or a supported recommendation must not be awarded more than 13 marks.**

**MAXIMUM FOR QUESTION 33: 25 MARKS**

**Total for this Investigation: 50 marks**