EXPERT TUITION

Economics Questions By Topic:

Demand-Side Policies (2.6.2) Mark Scheme

A-Level Edexcel Theme 2

Table Of Contents

SECTION A

Question Number	Answer	Mark
1	**The only correct answer is B** *A is not correct because it is a decision by the government to spend this money* *C is not correct because this is capital, not current, expenditure* *D is not correct because this is not an example of transfer payment*	**(1)**

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Question Number	Answer	Mark

2(a)	**Knowledge 1**
	
	Knowledge/understanding:
	1 mark for definition, e.g.
	   • Cost of borrowing (1) /
	   • Reward for saving (1)
		(1)

Question Number	Answer	Mark

2(b)	**Application 2**
	Application:
	2 marks for, e.g.
	   • Correct leftward shift of AD (1)
	   • Correct new equilibrium point (1)
	     OR
	   • Correct shift of SRAS (1)
	   • Correct new equilibrium point (1)
	
		(2)

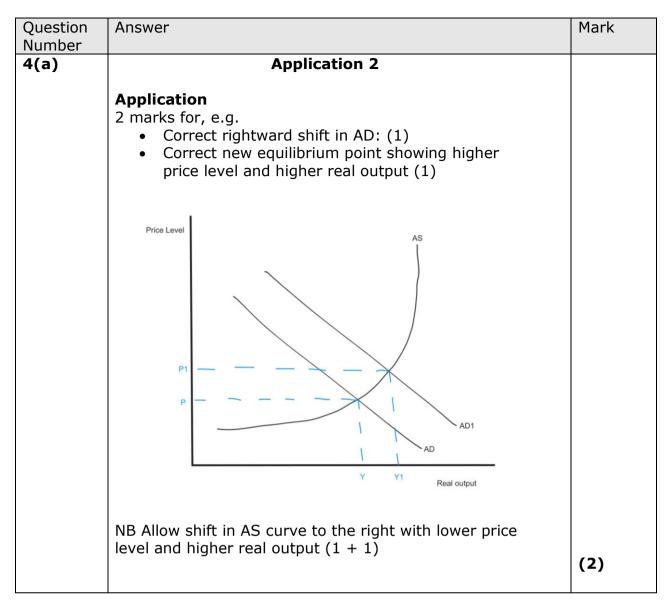| Question Number	Answer	Mark
2(c)	**The only correct answer is B** **A** is not correct because contractionary fiscal policy involves the government increasing tax rates and reducing government spending **C** is not correct because expansionary fiscal policy involves the government reducing tax rates and increasing government spending **D** is not correct because an expansionary monetary policy involves reducing interest rates and increasing asset purchases (quantitative easing)	**(1)**

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Question Number	Answer	Mark
3(a)	**Knowledge 1, Analysis 1** **Knowledge** 1 mark e.g. • Fall in UK economic growth (1) • Reduction in UK business confidence (1) **Analysis** 1 mark for linked development e.g. • Fall in growth means economy may need more government support for longer to ensure stable growth (1) • Less business confidence likely to lead to less private sector investment and so government may need to counteract this (1)	**(2)**

Question Number	Answer	Mark
3(b)	**Knowledge 1, Analysis 1** **Knowledge** 1 mark e.g. • National debt will continue to increase (1) **Analysis** 1 mark for linked development e.g. • Running a budget deficit means expenditure is greater than tax revenue (1) • Government will have to finance a budget deficit by borrowing money (1)	**(2)**

Question Number	Answer	Mark
3(c)	**The only correct answer is B** *A is not correct because this is monetary policy not fiscal policy* *C is not correct because this would involve a budget deficit* *D is not correct because this is monetary policy not fiscal policy*	**(1)**

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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)**

END OF SECTION A

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Question Number	Indicative content	Mark
5	**Knowledge 4, Application 4, Analysis 6,**	
	KAA:	
	Possible effects include:	
	• Reduction in real output / economic growth	
	• Deflationary effect / reduce inflationary pressures	
	• Rising unemployment / falling real wages in the public sector – government "introduced additional rounds of departmental spending cuts"	
	• Increasing inequality – "the government further decreased welfare payments"	
	• Falling real incomes / standard of living – "slow growth in real household disposable incomes" / "decline in living standards"	
	• Reference to the impact of reduced government investment on long-term growth of the economy – "should not pursue further reductions in the budget deficit as this would allow for a significant increase in public investment"	
	• Improvement in balance of payments on current account as net exports rise	
	• Reference to the impact on the environment	
	N.B. Candidates can discuss macroeconomic effects using an accurately labelled AD/AS diagram / accept a circular flow of income diagram that demonstrates a reduction in the circular flow of income	
	Evaluation 6	
	• Depends on size of the multiplier effect	
	• Shape of the AS curve/spare capacity	
	• Reduction in transfer payments may reduce frictional/voluntary unemployment	
	• Effects depend on to what extent private sector spending/employment can replace public sector spending/employment	
	• Short-run and long-run macroeconomic effects	
	• Effects depend on what areas of government spending/taxes are changed	
	• Potential increase in hidden economy (e.g. rise in cash in hand work)	**(20)**

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Knowledge, application and analysis		
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.

Evaluation		
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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Question Number	Indicative content	Mark
6	**Knowledge 4, Application 4, Analysis 6** KAA: • Interest rate is used by MPC of the Bank of England • AD/AS diagram showing a change in AD and/or AS consistent with analysis • Identification of low and stable inflation as a government objective / inflation target • Use of Figure 1 to support arguments for using a contractionary monetary policy (in 2017) • Award arguments which consider expansionary / contractionary policy to achieve inflation target using Figure 1 • High interest rate discourage borrowing by both households and firms as it increases the cost of borrowing, thus reducing inflationary pressures • Increasing rate of saving (the opportunity cost of spending has risen), which will slow the economy • Rise in mortgage interest repayments will reduce homeowners' real "effective" disposable income. Increase in mortgage costs would reduce market demand in housing market, reducing inflation • Business investment may also fall, as the cost of borrowing funds will surge. Planned investment projects will now become unprofitable and, as a result, AD will fall, reducing inflationary pressures • Higher interest rate increases the value of pound due to hot money flows; (X-M) component of AD falls, reducing inflationary pressures **Evaluation 6** • Impact depends on the magnitude of the change in the interest rate • Time lag factor – changes may take a long time to feed through into inflation • Higher rates may mean lower investment which reduce LRAS, increasing inflationary pressures • Many mortgages and loans are on a fixed rate; the change in base rate may have little impact • Commercial banks may not change their rates • Impact from change in AD will depend upon position on the LRAS curve / spare capacity • External factors are beyond Bank of England's control – Extract A suggests inflation caused by rising food prices due to the fall in exchange rate • Conflicts with macroeconomic objectives / policies • Depends on consumer and business confidence, e.g. animal spirits, size of the multiplier	**(20)**

Knowledge, application and analysis		
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.
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Evaluation		
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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Question Number	Indicative content	Mark
7	**Knowledge 4, Application 4, Analysis 6** • Understanding / identification of government policies as fiscal policy or supply-side policy • Relevant diagram, e.g. AD/AS diagram showing rightward shift in AD and/or AS curve • Investment in education and training to provide a more skilled workforce through increases in the level of human capital • Changes in minimum wage to incentivise employment • Reduction in unemployment and associated benefits to increase incentive to find work • Grants/subsidies/tax breaks to firms • Reduction in tax rates to encourage firms to expand or set up in UK, therefore increasing employment • Reduction in income tax creating a much larger incentive to work, increasing consumption and therefore, employment • Policies to increase real wage flexibility e.g. helping to reduce real wage unemployment • Tax breaks to firms who set up in depressed areas / giving some financial assistance to unemployed workers who move to areas with high employment • Government improving the labour market flexibility by making it easier to hire and fire workers may encourage more job creation • Increase in the provision of free childcare and other measures to increase the activity rate **NB Answer must be linked to _government_ policies to access Level 3 or above.** **NB Answer must be linked to _employment_ to access Level 3 or above.**	**(14)**

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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
7 continued	**Evaluation 6** • Magnitude of the policy change • Conflicts between the policies • Depends if there is spare capacity • Creditworthiness of the UK government • Conflicts with other UK economic objectives • Discussion of effectiveness of individual policies • External factors beyond UK government's control, e.g. slowdown in global economy • Time lags (for e.g. education takes a long time to have impact on productivity)/implementation lags Government's budget deficit makes it difficult to pay for large investments or offer significant grants/tax breaks	**(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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Question Number	Indicative content	Mark
8(a)	**Knowledge 2, Application 2, Analysis 4,** ECB QE programme is effective: • Explanation of process of QE • should encourage banks to increase lending and thus hopefully increase consumption/investment • Inflation/GDP may well have been much lower without QE • Confidence of markets would have been much lower without QE • QE programme to be extended for a further 6 months • Lower interest rates encourages consumption/investment, thus increasing AD and therefore inflation • Low government bond yields for Eurozone countries • Depreciation of the Euro affecting X-M NB One side of this argument should count as KAA and the opposing argument as Evaluation	**(8)**

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 chains of reasoning or links between causes and consequences.
Level 2	3–5	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	6–8	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.

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Question Number	Indicative content	Mark
8(a) continued	**Evaluation 4** ECB QE programme isn't effective: • Inflation likely to remain below target into at least 2017 • Low inflation is largely down to factors outside the central bank's control (e.g. oil prices) • Lack of confidence among firms and consumers meaning they are not responding as the ECB would like to the QE programme • Banks are still reluctant to lend money to firms and consumers • Time lags • Extension of QE programme suggests that it hasn't worked • Other policies may be more effective NB One side of this argument should count as KAA and the opposing argument as Evaluation	**(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 relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

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Question Number	Indicative content	Mark
8(b)	**Knowledge 3, Application 3, Analysis 3** **Potential policies may include:** • Fiscal policies, e.g. reduced corporation tax to increase investment and therefore increase AD • Supply-side policies, e.g. increased investment in education to create a more highly-skilled and therefore more productive workforce N.B. Candidates may discuss more than one of each type of policy N.B. Candidates must discuss both fiscal and supply-side policies for level 3	**(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
8(b) continued	**Evaluation 6** Evaluation of the policies, e.g. • Governments in many Eurozone countries are having to focus on reducing national debt and can't afford policies such as tax cuts • Supply-side policies take a long time to have an impact on the economy	**(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 recognises different viewpoints and/or is critical of the evidence.

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Question Number	Indicative content	Mark
9	**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.

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Question Number	Indicative content	Mark
9 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
10(a)	**Knowledge 4, Application 4, Analysis 6,**	
	• Changing interest rates and quantitative easing/asset purchases to influence money supply as monetary policies	
	• AD/AS diagram could be used to aid effective analysis	
	MPC has been successful at controlling inflation:	
	• According to Figure 2 highest inflation rate was only just over 5%, good by historical standards	
	• Independent of government	
	• Regular monthly MPC meetings implies flexibility	
	• Willingness to use other unorthodox tools such as QE and forward guidance to additionally control inflation	
	• QE helped to avoid risk of deflation during global economic crisis	
	• Powerful transmission mechanisms	
	• Contrast with Japan.	
	MPC has **not** been successful at controlling inflation:	
	• Figure 1 shows inflation has often been outside of range of +/- 1% from the 2% target	
	• MPC struggles to respond to supply-side factors, e.g. rising food/commodity prices in 2008/9 and now falling prices in 2014	
	• Interest rates have stayed at 0.5% for a long time so there is limited scope to reduce further in response to falling inflation/risk of deflation	
	• Banking failure	
	• In the period shown, interest rates have been 0.5% but inflation has continued to fall	
	NB Candidates may, alternatively, argue that the MPC **has not** been successful for KAA and that they **have** been successful for evaluation	
		(14)

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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
10(a) continued	**Evaluation 6** MPC has **not** been successful at controlling inflation: • Figure 1 shows inflation has often been outside of range of +/- 1% from the 2% target • MPC struggles to respond to supply-side factors, e.g. falling food and commodity prices in 2014 • Interest rates have stayed at 0.5% for a long time so there is limited scope to reduce further in response to falling inflation/risk of deflation • Banking failure • In the period shown, interest rates have been 0.5% but inflation has continued to fall	**(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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Question Number	Indicative content	Mark
10(b)	**Knowledge 4, Application 4, Analysis 6,**	
	• Understanding of demand-side policies to include monetary and/or fiscal policy • Understanding of Global Financial Crisis of 2008 in UK and/or other countries	
	• AD/AS diagram may be used to aid effective analysis	
	Examples of demand-side policies that students may discuss. These need to be clearly linked to responding to a financial crisis:	
	• Reduction of interest rates to boost aggregate demand in a recession. • Quantitative easing to increase liquidity • Bailout of banks • Increase in government spending e.g. infrastructure • Cut in taxation	
		(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
10(b) continued	**Evaluation 6** • Short run/long run issues, e.g. interest rates take at least a year to have a full effect • Interest rates cannot be cut much further; relative interest rates are important • The uncertainty of the impact of QE, e.g. do banks pass on the credit, is it inflationary? • Size of the multiplier • Problems in financing government deficit/fiscal austerity issues • Impact of different tax cuts, e.g. income tax vs. VAT • Relative success of US or other country's policies in response to the crisis compared to the UK	**(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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Question Number	Answer	Mark
11 (a)	KAA 8 marks: 1 mark for solely identifying a relevant point 1 mark for limited development of this up to 2 further marks for clear analysis of this point For example: - rising mortgage costs reducing consumer confidence/spending - Strengthening of the currency making exports more expensive - Reduced business investment due to higher borrowing costs - Higher cost of servicing national debt	**(8)**

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Question Number	Answer	Mark
*11 (b)	Up to 6 marks • Identification of monetary, fiscal, or supply-side policy (maximum 2 marks) • Diagram showing AD shift and/or AS shift consistent with analysis; axes labelled (1), equilibria labelled (1), AD/AS lines labelled (1), correct shift (1). No marks for diagram if shift inconsistent with analysis. Explanation of how the policies might help return inflation to its 2% target 12 marks (3 x 4 marks or 2 x 6 marks); 1 mark for only an identification of a point, 2 marks for identification and very brief explanation, up to further 4 marks for analysis/development of the point • lower interest rates further/go into negative interest rates • lower interest rates leading to fall in value of the currency • Further quantitative easing • Increased government spending to boost AD and therefore price level • Lower taxes to encourage consumers and businesses to increase their spending, increasing AD • Improvements in infrastructure to make it cheaper/easier to export • Improvements in education to make workforce more highly skilled, boosting demand for UK exports Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks) • Reducing interest rates further is unlikely to have much of an impact on AD as they are already at a record low • High levels of national debt make expansionary fiscal policy impractical • Supply-side policies will take time to have an impact on the economy • Investments need to be targeted at the right infrastructure/education to have the desired impact **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	**(30)**

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Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing points with at least two evaluative points (an evaluation points is worth up to a maximum of 6 marks
Level 3	19-24	2 or 3 convincing points with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing points with no evaluative point; 1 or 2 less-convincing effects with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

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Question Number	Indicative Content	Mark
*12	Up to 6 marks • Identification of monetary, fiscal, or supply-side policy (maximum 2 marks) • Diagram showing AD shift and/or AS shift consistent with analysis; axes labelled (1), equilibria labelled (1), AD/AS lines labelled (1), correct shift (1). No marks for diagram if shift inconsistent with analysis. Explanation of how the policies might help to improve the productivity of the UK economy 12 marks (3 x 4 marks or 2 x 6 marks); 1 mark for only an identification of a point, 2 marks for identification and very brief explanation, up to further 4 marks for analysis/development of the point • Improvements in education to create more skilled workforce • Improvements in healthcare to create healthier workforce, less days lost due to illness • Grants/tax breaks to encourage investment in new machinery support UK exporters • Reduced taxes on firms to encourage more investment • Improvements in infrastructure to speed up efficiency of deliveries, less delays, etc. Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks) • Time lags of government investment in areas such as education • Opportunity cost for the government • Effectiveness of different policies, e.g. most of NHS budget spent on over-65's so unlikely to make much impact on workforce • Magnitude of government spending **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	**(30)**

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Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing points with at least two evaluative points (an evaluation points is worth up to a maximum of 6 marks
Level 3	19-24	2 or 3 convincing points with at least one evaluative point (mark cap to 18 if no evaluation)
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Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

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Question Number	Indicative content	Mark
*13	KAA 18 marks Up to 6 marks: • Identification of government policies as fiscal or supply-side policy (2) • Definition of employment rate OR data reference to employment rate (2) • Diagram showing AD shift and/or AS shift consistent with analysis (4); axes labelled (1), equilibria labelled (1), AD/AS lines labelled (1), correct shift (1). No marks for diagram if shift inconsistent with analysis. Explanation of how the policies might help increase employment: 12 marks (3 x 4 marks or 2 x 6 marks); 1 mark for only identification of a point, 2 marks for identification and very brief explanation, up to further 4 marks for analysis/development of the point • Investment in education and training to provide a more skilled workforce through increases in the level of human capital • Reduction in minimum wage to encourage more firms to increase employment levels • Reduction in unemployment and associated benefits to increase incentive to find work • Grants/tax breaks to firms encourage increases in employment • Reduction in taxation to encourage firms to expand or set up in UK, therefore increasing employment • Reduction in income tax creating a larger incentive to work, increasing consumption and therefore, employment • Decreasing the power of trade unions will help reduce real wage unemployment • Improving geographical mobility of labour - government providing tax breaks to firms who set up in depressed areas/giving some financial assistance to unemployed workers who move to areas with high employment • Government improving the labour market flexibility by making it easier to hire and fire workers may encourage more job creation • Increase provision of free childcare	

Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks)

- Time lag (e.g. education takes a long time to have significant impact on productivity) and implementation lags
- Government budget deficit and national debt make it difficult to pay for large investments or offer significant grants/tax breaks
- External factors beyond UK government's control, e.g. recession in Eurozone
- Magnitude of the policy change
- Conflicts with other UK economic objectives
- Conflicts between the policies
- Depends if there is spare capacity
- Creditworthiness of the UK government
- Discussion of effectiveness of individual policies - this could be 3 separate points

Quality of written communications will be assessed in this question based on the candidate's ability:

- To present an argument and conclude on the basis of that argument
- To organise information clearly and coherently
- To use economic vocabulary appropriately
- To use grammar, spelling and punctuation appropriately

(30)

Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing points with at least two evaluative points (an evaluation points is worth up to a maximum of 6 marks
Level 3	19-24	2 or 3 convincing points with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing points with no evaluative point; 1 or 2 less-convincing effects with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

EXPERT TUITION

Question Number	Indicative content	Mark
*14	KAA 18 marks Up to 6 marks: • Definition of Monetary Policy (2) • Definition of the rate of inflation or data reference to the rate of inflation (2) • Diagram showing AD shift and/or AS shift consistent with analysis (4); axes labelled (1), equilibria labelled (1), AD/AS lines labelled (1), correct shift (1). No marks for diagram if shift inconsistent with analysis. Explanation of how the monetary policy has been responsible for controlling inflation: 12 marks (3 x 4 marks or 2 x 6 marks); 1 mark for only identification of a point, 2 marks for identification and very brief explanation, up to further 4 marks for analysis/development of the point • Explanation of transmission mechanism- impact of changing interest rate on AD and therefore inflation (could count as 3 separate points, e.g. on consumption, investment, exchange rates and house prices) • Quantitative easing / changing money supply to further impact the inflation rate • Forward guidance? • Successfully kept inflation reasonably close to the target and within control (Figure 3) • Open, transparent and is operationally independent from political interference allowing it to focus on meeting inflation target Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks) • Cost-push factors are out of the Bank of	

England's control, e.g. oil prices
- Times where inflation is out of tolerance/not within target range (Figure 3)
- Reluctance of banks to pass on changes in the base rate to their customers
- Banks seeking to improve their capital ratios
- Lack of confidence among consumers and/or businesses
- MPC can only use interest rate and money supply as instruments which may restrict it from meeting the UK inflation target
- Conflicts with other UK economic objectives
- Time lags
- Depends if there is spare capacity

Quality of written communications will be assessed in this question based on the candidate's ability:
- To present an argument and conclude on the basis of that argument
- To organise information clearly and coherently
- To use economic vocabulary appropriately
- To use grammar, spelling and punctuation appropriately

(30)

Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing points with at least two evaluative points (an evaluation points is worth up to a maximum of 6 marks
Level 3	19-24	2 or 3 convincing points with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing points with no evaluative point; 1 or 2 less-convincing effects with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

Question Number	Indicative content	Mark
15(a)	KAA 4 marks Reference to data (2): e.g. • Interest rate 'cut to 1.5% in 2008', 0.5% 'by March 2009' • 'further big reductions' since November 2008 • 'the Bank of England began to inject money into the economy through quantitative easing' Explanation of monetary policy: 2 marks: use of interest rates/quantitative easing/money supply (1) to control the level of economic growth/inflation in the economy (1)	(4)

Question Number	Indicative content	Mark
15(b)	KAA 8 marks 2 factors up to 4 marks each (2 x 2 marks) 1 mark for only an identification of a point, 2 marks for identification and very brief explanation, further 2 marks for analysis/development of the point • Unemployment levels • Debt • Savings • Change in retail sales • Exogenous shocks • Regional data • Exchange rate • Failure of previous interest rates and QE to have their full effect • Commodity prices • Skills shortages • Inflation (for any explanation marks there must be reference to expected rates or pattern of inflation) • Performance in other countries • Level of confidence in the economy • Economic growth/output gap • Investment Do not allow house prices	(8)

Question Number	Indicative content	Mark
16	KAA 18 6 marks • Identification of government policy as supply side and/or fiscal (2) • Productivity is output per unit of input (2) Accept labour productivity definition • Diagram showing AS shifts to the right (4); axes labelled (1),equilibria labelled (1), AD/AS lines labelled (1), correct shift (1). No marks for diagram if shift in wrong direction. Factors might include possible policies to raise productivity could include the following: N.B. 2 marks for identification of a relevant policy and 2/4 for analysis. Policies must be related directly to increases in productivity rather than to increased production for 2/4 analysis marks. • Increased government spending on infrastructure encouraging investment (inward and/or domestic). • Lower corporation tax to encourage investment (domestic and/or inward) • Redesigning taxes on incomes to create the incentive to work more productively i.e. increased competitiveness in the labour market • Redesigning benefits that create the incentive to work more productively • Improving the quality and focus of education and training will increase its effectiveness at raising productivity (Could be 2 separate points) • Improve health care to reduce sickness and absence which should increase output per worker • Facilitating inward migration of skilled labour increases output per worker • Deregulation to encourage competition leading to greater efficiency • Privatisation • Lower red tape encouragement of entrepreneurship and investment which should lead to higher productivity • Subsidy/tax break on investment such as creation of special enterprise zone or the increase in the use of new technology causing greater efficiency and productivity • Government measures to increase bank lending to further increase investment and productivity- Funding for Lending Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks); Comments might include reference to • Discussion of effectiveness of individual policies- this could be 3 separate points • Effectiveness of certain policies as some services have few opportunities to increase productivity	(30)

- Prioritisation of objectives such as fiscal deficit reduction limiting scope
- Creditworthiness of UK government
- Availability of credit in the UK
- Size of national debt
- A combination of policies may be more effective (e.g. fiscal and supply side)
- Time lag and implementation lags
- Other things are not equal – e.g. depends on global economic changes or exchange rate movements
- Conflict between policies
- Conflict with other macroeconomic objectives
- Counter argument e.g. effectiveness of training

Quality of written communications will be assessed in this question based on the candidate's ability:
- To present an argument and conclude on the basis of that argument
- To organise information clearly and coherently
- To use economic vocabulary appropriately
- To use grammar, spelling and punctuation appropriately

Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing policies with at least two evaluative points (an evaluation point is worth up to a maximum of 6 marks
Level 3	19-24	2 or 3 convincing policies with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing policies with no evaluative point; 1 or 2 less-convincing policies with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

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Question Number	Indicative content	Mark
*17(a)	KAA 8 Up to 8 marks (2 x 4 marks) for explanation of policies. Award up to 4 marks for each policy & explanation • Increase government expenditure e.g. on training programs • Cuts in university tuition fees and/or bursaries for university courses • Increase benefits above 1% cap • Housing policies (mortgage relief, key worker subsidies) • Increased income tax threshold, cut national insurance contributions • Relaxation of austerity measures relaxed • Lower indirect taxes (e.g. VAT), assuming higher propensity to spend in young people • Cut in income tax rate e.g. reintroduction of 10% tax band • Lower corporation tax leading to increased investment, lower unemployment Maximum of 4 marks for listing policies with no explanation. Evaluation 4 marks (1 x 4 or 2 x 2) • Conflict with other objectives such as reducing the budget deficit and also the national debt (can award conflicts with different objectives) • Raising benefits might decrease living standards in the long run if it provides less incentive to find work • Long run and short run impacts • Relative importance of the policies • Likely effectiveness of the policies • Mitigating factors • Counter argument **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	**(12)**

Level	Mark	Descriptor
Level 3	9-12	2 convincing policies with at least one evaluative point
Level 2	5-8	2 convincing policies but no evaluative point; 1 or 2 less-convincing policies with some evaluation
Level 1	1-4	Identification of relevant policy with or without brief evaluative keywords

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Question Number	Indicative content	Mark

*17(b)	Up to 6 marks
	• Identification of a macroeconomic objective (maximum 2 marks)
	    ○ Economic Growth
	    ○ Low and stable inflation
	    ○ Reduction in unemployment
	    ○ Reduction of the deficit on the current account of the balance of payments
	Accept
	    ○ Reduction of the national debt or balancing the budget
	    ○ Making the distribution of income more equal
	    ○ Protection of the environment
	• Define monetary policy (2)
	• Diagram showing AD shift and/or AS shift consistent with analysis; axes labelled (1), equilibria labelled (1), AD/AS lines labelled (1), correct shift (1). No marks for diagram if shift inconsistent with analysis.
	
	Explanation of how the monetary policies might help achieve government objectives
	12 marks (3 x 4 marks or 2 x 6 marks);
	Marks could be obtained as follows: Link between interest rates and an objective (2) and transmission mechanism explained (2/4). Must be link between monetary policy and objective.
	• Fiscal Policy constrained by austerity promises because of national debt
	• MPC remains independent with control of interest rates and free of political interference. This helped prevent inflation named target has been clear 2% inflation (+/- 1%) and transparency and openness maintained (open letters to chancellor from 2007) These led to reduced inflationary expectations which is self-fulfilling to some extent. This helps growth, reduce the balance of payments deficit, unemployment and price stability
	• An increase in interest rates designed to reduce rate of inflation; lower AD improving export price competitiveness
	• Low interest rates and/or quantitative easing help prevent deflation, high unemployment and low growth
	• Maintained financial stability in the banking sector helping growth and reduce unemployment and improve price stability
	• Low interest rates and/or quantitative easing encourage investment, growth, reduce the deficit on the current account of the balance of payments and reduce unemployment
	• Low interest rates and/or quantitative easing encourage consumption and growth and reduce unemployment
		(30)

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Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks); Fluctuating state of the economy had inevitable effect on inflation

- Fluctuating state of the economy had inevitable effect on inflation
- Inflation in the recession has been caused by cost push inflation outside the Bank of England's control
- Looking at Figure 1, out of tolerance but not out of control
- Changed target to CPI which was more stable than RPI possibly because of absence of volatile housing market and mortgage interest payments
- Financial stability to some extent has taken priority and the MPC has had loose monetary policy while fiscal policy remained tight
- Uncertainty of effect of Quantitative Easing
- Vicious cycle of deflation was avoided in 2009
- Other factors such as cheap imports in the early 2000s
- Weak unions have prevented the wage-price spiral
- Other issues were neglected such as exchange rate stability to promote trade
- Conflicts of objectives

Quality of written communications will be assessed in this question based on the candidate's ability:
- To present an argument and conclude on the basis of that argument
- To organise information clearly and coherently
- To use economic vocabulary appropriately
- To use grammar, spelling and punctuation appropriately

Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing effects with at least two evaluative points (an evaluation points is worth up to a maximum of 6 marks
Level 3	19-24	2 or 3 convincing effects with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing effects with no evaluative point; 1 or 2 less-convincing points with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

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Question Number	Indicative content	Mark
*18(a)	KAA 8	(12)
	Up to 4 marks:	
	- Use of data: low interest rates at 0.5% /greater QE **(2)**	
	- Definition of monetary policy **(2)**	
	- Explanation of increase (or at least reduction in fall) in components of AD and therefore increase UK output/reduce unemployment through:	
	○ consumption transmission mechanism with explanation **(2)**	
	○ Investment transmission mechanism with explanation **(2)**	
	○ Net trade transmission mechanism **(2)**	
	Up to 4 marks:	
	Diagram demonstrating rightward shift of AD and/or AS **(4)**; correct shifts in lines (1), lines labelled (1), axes labelled (1), equilibria labelled (1)	
	Note diagrams where a single line shift is shown and it is incorrect receive no marks, even if curves and axes are labelled correctly. If one line shift is correct and the other shift is wrong then award 2 marks assuming the rest of the diagram is labelled correctly.	
	Evaluation 4 marks (1 x 4 or 2 x 2):	
	- Despite low Bank rate and a demand for loans, banks are unwilling to lend, or do not pass on low Bank rate	
	- Evidence from the Extract suggests that loose monetary policy is not effective in supporting economic recovery, e.g. unemployment is rising	
	- Because of the global or European recession businesses lack confidence to invest and consumers lack confidence to spend thus limiting economic recovery.	
	- Those on fixed rate loans/mortgages are not affected by low interest rate	
	- Low return on savings, so less consumption by those with savings	
	- Reduced effectiveness of monetary policy as interest rate has been low for so long	
	- Long run and short run impact	
	- Other effects such as weakening pound helping exports	
	- Other determinants of AD or AS produce counterbalancing effects	
	Quality of written communications will be assessed in this question based on the candidate's ability:	
	- To present an argument and conclude on the basis of that argument	
	- To organise information clearly and coherently	
	- To use economic vocabulary appropriately	
	- To use grammar, spelling and punctuation appropriately	

Level	Mark	Descriptor
Level 3	9-12	One or two convincing reasons with AS/AD diagram, with at least one evaluative point
Level 2	5-8	One or two convincing reasons with evaluation but no/incorrect diagram, or one convincing reason with diagram but no evaluative point; Less-convincing reason or diagram with some evaluation
Level 1	1-4	Identification of relevant reason with or without brief evaluative keywords

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Question Number	Indicative content	Mark
*18(b)	**KAA 18** **Up to 6 marks (3 x 2marks)**: • Definition of macroeconomic objectives (the aims/targets of the government to improve economic welfare) • Definition of a fiscal (budget) deficit • Identification of cutting government spending • Identification of raising taxation • Use of relevant data • AS/AD diagram showing impact of falling government spending and/or rising taxation **12 marks (3 x 4 marks or 2 x 6 marks) - Identification of macroeconomic objective (2) and explanation of effect on objective (up to 4 marks)** Factors might include: • Reduce unemployment / achieve full employment (2) - AD would be reduced leading to lower demand for labour and increased unemployment (2) • Low, stable inflation (2) - AD would be reduced leading to reduced price level or deflationary demand-pull pressure (2) • Sustainable economic growth (2)- AD would be reduced leading to lower real output (2) • Equilibrium on balance of payments on current account (2) - falling real incomes leads to lower demand for imported goods and services which would reduce the deficit on the current account of the balance of payments (2) • More equal income distribution (2) - cuts in government spending likely to affect lower income earners more, but rising tax rates could have a regressive or progressive effect (2) • Achievement of environmental goals - likely to be positive as real output / production levels fall • Reduction of national debt or balancing the budget - objective achieved Reward use of diagrams (maximum of 2 marks each if develop analysis) Evaluation **12 marks (2 x 6 marks or 3 x 4 marks)**: • Despite fiscal retrenchment unemployment is falling and employment is at an historic high, although this could be accounted for by record number of part time workers • Despite fiscal retrenchment inflation remains above target, although	(30)

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this could be accounted for by cost push inflation from a weakening exchange rate or rising raw material prices

- The impact on the deficit on current account might be relatively small if imports are relatively income inelastic such as oil / food
- Rising tax on firms and falling government spending may reduce international competitiveness, worsening the current account position
- Falling real incomes should lead to lower demand for imports which will reduce the leakages from the circular flow of income and the size of AD's fall.
- Fiscal retrenchment will reduce the speed of economic recovery so delay reduction of the budget deficit and national debt (Labour argument)
- Prioritisation of objectives
- Elasticity of AS curve / level of spare capacity
- LR / SR effects
- Availability of credit
- Size of the multiplier
- Size and speed of reduction of fiscal deficit
- Size of national debt
- Time lag and implementation lags
- Other things are not equal – e.g. depends on global economic changes
- Conflict between policies

Award either as:
- KAA marks for objectives that this does help the government achieve
- Evaluation marks for objectives that this doesn't help the government achieve

OR
- KAA marks for objectives that this may or may not help the government achieve
- Evaluation marks for discussing the extent to which this would occur

Quality of written communications will be assessed in this question based on the candidate's ability:
- To present an argument and conclude on the basis of that argument
- To organise information clearly and coherently
- To use economic vocabulary appropriately
- To use grammar, spelling and punctuation appropriately

Level	Mark	Descriptor
Level 4	25-30	Two or three convincing effect with at least two evaluative points
Level 3	19-24	Two or three convincing effects with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	Two or three convincing effects with no evaluative point; one or two less-convincing effect with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

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Question Number	Answer	Mark

19(a)	KAA (4 marks)
	• Budget deficit has increased (2)
	• Reference to data (up to 2 marks):
	    • Over 3 times as a % of GDP (2)
	    • From approximately -2.5% (36.5% - 39%) to -9% (37.5% - 46.5%) of GDP (2)
	    • government tax receipts as a proportion of GDP rose from (or remained steady at) approximately 36.5% to 37.5% whereas government spending as a proportion of GDP rose even further from 39% - 46.5%. (2) (Candidates must refer to changes in both G and T for these 2 marks)
	    • Descriptive references to changes in the deficit/rates of increase from the data (1) e.g. the deficit peaked in 2009. (1)
		(4)

Question Number	Answer	Mark

19(b)*	KAA 18
	
	Up to 6 marks:
	• Define economic growth (2)
	• Define budget deficit (2)
	• Identification of policy or policies to reduce a budget deficit:
	    o Decrease in spending (2)
	    o Increase in taxation (2)
	    o Reduce borrowing (2)
	• Correctly labelled AD/AS diagram showing an AD (and possible AS) shift to the left as a result of a reduction in the budget deficit. Accept also circular flow of income diagram that demonstrates a reduction in the circular flow of income (2).
	
	Identification and explanation of the effects of the policies - 12 marks (3 x 4 marks or 2 x 6 marks):
	• Rising unemployment
	• Reduction in real output
	• Effect of reduced government investment on long term growth/productive potential of	

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economy
- Deflationary effect
- Improvement in the balance of payments on current account as net exports rise
- Environmental impact
- Increasing inequality
- Falling real incomes / standard of living
- Falling real wages in public sector effect on output
- Decrease in HDI

Reward use of diagrams (maximum of 2 marks each if they develop analysis)

Evaluation - 12 marks (2 x 6 marks or 3 x 4 marks):
- Reduction in transfer payments may reduce frictional/voluntary unemployment
- Time lags – (e.g. length of time for former claimants to find jobs)
- Short run and long run macroeconomic effects
- Size of the multiplier effect
- Shape of the AS curve
- Effects depend on to what extent private sector spending/employment can replace public sector spending/employment
- Effects depend on what taxes/government spending areas are changed
- Critical consideration of the effectiveness of policies
- Potential increase in black economy (cash in hand work)

Quality of written communications will be assessed in this question based on the candidate's ability:
- To present an argument and conclude on the basis of that argument
- To organise information clearly and coherently
- To use economic vocabulary appropriately
- To use grammar, spelling and punctuation appropriately

(30)

Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing effects with at least two evaluative points (an evaluation points is worth up to a maximum of 6 marks
Level 3	19-24	2 or 3 convincing effects with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing effects with no evaluative point; 1 or 2 less-convincing effects with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

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Question Number	Answer	Mark
20(a)	KAA 8 marks Up to 4 marks for: • Definition of monetary policy (2) • How the Monetary Policy Committee use interest rates to meet the inflation target (2) Up to 8 marks for: Identify some criterion that might indicate success (2 marks each) and further explanation or reference to data (2 marks each) Award **two** criteria only • Looking at Figure 1, out of tolerance but not out of control • Inflation expected to be back around target by the end of 2012 • Recent inflation has been caused by cost push inflation outside the Bank of England's control • Lack of business/consumer confidence has reduced the effectiveness of monetary policy outside of the Bank of England's control • Has been successful in helping the economy to recover from recession • Looking at Figure 1 no deflation in 2009 / vicious cycle of deflation seems to have been avoided in 2009 / inflation has not fallen below the 1% floor Named target has been clear 2% inflation (tolerance +/- 1% point) • Transparency and openness maintained (open letters to Chancellor from 2007) • MPC remains operationally independent with control of interest rates and free of political interference • Reduced inflationary expectations which is self-fulfilling to some extent • Maintained financial stability in the banking sector • Reward discussion of more recent problems **Candidates may consider arguments for and against UK monetary policy being effective. The development of one point of view constitutes KAA and the alternative view is considered as evaluation.** Evaluation - (1 x 4 marks or 2 x 2 marks). Factors might include: • Looking at Figure 1 generally out of tolerance • Inflation rate as measured by RPI was even more volatile • Very little control over cost push inflation • Interest rates and QE are only part of the solution	

- Financial stability to some extent has taken priority, and uncertainty of effect of Quantitative Easing
- Other factors such as weak unions have prevented the wage price spiral, not the operation of monetary policy
- Opportunity cost of pursuing interest rate/QE policy
- Time lags

(12)

Level	Mark	Descriptor
Level 3	9-12	2 convincing criteria with at least one evaluative point
Level 2	5-8	2 convincing criteria with no further analysis or explanation, or 1 convincing criterion with some good analysis but no evaluative point; 1 or 2 less-convincing criterion with some evaluation
Level 1	1-4	Identification of relevant criterion with or without brief evaluative keywords

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Question Number	Answer	Mark
20(b)*	KAA - 8 marks (4 marks for diagram, 4 marks for explanation and analysis)	

Diagram demonstrating rightward shift of AD and/or AS (4); correct shifts in lines (1), lines labelled (1), axes labelled (1), equilibria labelled (1). (**Note:** diagrams where a single shift is incorrect receive no marks. If one shift is correct and the other wrong then award 2 marks assuming the rest of the diagram is labelled correctly)

Up to 4 marks:
Each effect identified (2) and explained (2)
- Price level should fall or remain the same if shifts cancel each other out, or rise if AD shifts only/more
- Real output should rise
- Increase in productivity
- Increase in competitiveness of UK goods and services, leading to an improvement in the Balance of Payments on current account
- Reduction in unemployment / increased occupational mobility of labour
- Effects on the government budget position
- Improvement in the UK's HDI

NB: if no AS/AD diagram, award a maximum of 4 KAA marks

Evaluation - 4 marks (1 x 4 or 2 x 2)
- Spending might not affect quality of output – e.g. managerial expenses may absorb expenditure
- Effects depend on the type/level of education improved
- Time lag
- The effects depends on the shape of the AS curve
- Reduction in government spending elsewhere (opportunity cost)
- Increase in taxation elsewhere may have an effect on incentives
- Other determinants of AD such as exchange rates changing - ceteris paribus may not hold
- Long run and short run effects
- May have no effect on price level if shift in AD cancels out the effect on AS

Quality of written communications will be assessed in this question based on the candidate's ability:
- To present an argument and conclude on the basis of that argument
- To organise information clearly and coherently
- To use economic vocabulary appropriately

(12)

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	• To use grammar, spelling and punctuation appropriately	

Level	Mark	Descriptor
Level 3	9-12	2 convincing effects with a correct AS/AD diagram and at least one evaluative point
Level 2	5-8	2 convincing effects with a correct AS/AD diagram but no evaluative point; 1 or 2 less-convincing effect with an incorrect, incorrect or no AS/AD diagram, with some evaluation
Level 1	1-4	Identification of relevant effect, incorrect, incomplete or no AS/AD diagram, with or without brief evaluative keywords

Question Number	Answer	Mark

20(c)*	KAA 18
	Up to 6 marks
	• 2 marks for defining living standards (may be implicit):
	   ○ raising real or potential GDP
	   ○ increase in (average) real income
	   ○ non-GDP economic and social indicators, i.e. the quality of life or reduction in income inequality
	   ○ Other methods of measurement or comparison
	• Identification of a type of policy the government can implement to raise living standards:
	   ○ Fiscal policy (2)
	   ○ Monetary policy (2)
	   ○ Supply side policy (2)
	• 2 marks for use of a correctly labelled diagram to demonstrate an increase in output (such as an outward shift of AD or AS or a movement towards the existing or outwardly moving PPF)
	
	Identification and explanation of the effects of specific policies - 12 marks (3 x 4 marks or 2 x 6 marks):
	• Increased government spending (may count as up to 3 separate policies)
	• Cutting tax
	• Monetary policy, e.g. cutting interest rates
	• Improved trade, e.g. export-led growth
	• Supply side policies (may count as up to 3 separate policies)
	• Redistributive policies to increase living standards in short run and possibly long run
	• Improve the quality of the living standards	

Reward use of diagrams (maximum of 2 marks each if they develop analysis)

Evaluation - 12 marks (2 x 6 marks or 3 x 4 marks) factors might include:
- Different approaches in developed and developing countries
- Comparison of Spain and UK, i.e. UK has a higher per capita income but lower HDI
- Depends on elasticity of AS when AD shifts
- Supply side policies are ineffective when AD is very low
- Opportunity cost of government spending
- Many economies are currently not in a position to finance expansionary fiscal or supply side policies
- Time lag and implementation lags
- Other things are not equal – e.g. depends on global economic changes
- Magnitude of multiplier effect
- Other negative side effects of policies, e.g. some policies may increase GDP but reduce living standards in terms of inequality/environment.

Quality of written communications will be assessed in this question based on the candidate's ability:
- To present an argument and conclude on the basis of that argument
- To organise information clearly and coherently
- To use economic vocabulary appropriately
- To use grammar, spelling and punctuation appropriately

(30)

Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing policies with at least two evaluative points (an evaluation points is worth up to a maximum of 6 marks
Level 3	19-24	2 or 3 convincing policies with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing policies with no evaluative point; 1 or 2 less-convincing policies with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

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Question Number	Indicative Content	Mark
*21	KAA 18	
	Up to 6 marks	
	• Identification of low and stable unemployment/full employment as a government objective (2)	
	• Identification of any macroeconomic policy as fiscal, monetary and/or supply side (reward implicit understanding) (2)	
	• Use of data indicating extent of unemployment (2)	
	• AD/AS diagram showing rightward shift in AD and/or AS curve or equivalent verbal analysis of how price level and real output are affected or PPF diagram showing rightward shift in PPF and/or a movement towards PPF (4 marks). Diagram showing AD and/or AS shifts to the right; axes labelled (1), equilibria labelled (1), AD/AS lines labelled (1), correct shift (1). No marks for diagram if shift in wrong direction.	
	Explanation of how the policies might reduce the level of unemployment	

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in the UK 12 marks (3 x 4 marks);
- Fiscal expansion through government spending increasing employment
- Reduction in taxation rates through borrowing or policy financed through lowering immediate tax burden increasing AD
- Reduction in interest rates (or increase in money supply) increasing borrowing and reducing debt payments
- Measures to increase incentives such as reduced marginal tax rates;
- Reduction in benefits.
- Measures to increase competitiveness and productivity through outsourcing and tenders;
- Privatisation;
- Health care improvements;
- Training and education.
- Increase price flexibility and signalling in the market (ie reducing the minimum wage)

Reward other valid explanations

Evaluation 12 marks (3 x 4 marks, OR 2 x 6 marks, OR 6 + 4 + 2 marks)
Comments might include reference to
- Tax cuts ineffective if used to increase savings or repay debts
- Cuts in Bank of England's interest rate ineffective if banks unwilling to lend or if banks do not reduce interest rates to customers
- Identification of common elements of both policies e.g. cutting taxes as a demand management policy as well as improvement to incentives
- Crowding out
- Long term debt payments to repay will reduce future living standards
- Time lag for supply side policies
- Depends on the elasticity of the AS
- Depends on magnitude of multiplier (i.e. increased savings ratio because of lack of confidence leading to lower multiplier)
- Relative merits of policies which justifies prioritisation
- Other things being equal

(30)

Quality of written communications will be assessed in this question based on the candidate's ability:
- To present an argument and conclude on the basis of that argument
- To organise information clearly and coherently
- To use economic vocabulary appropriately
- To use grammar, spelling and punctuation appropriately

Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing policies with at least two evaluative points
Level 3	19-24	2 or 3 convincing policies with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing policies with no evaluative point; 1 or 2 less-convincing effects with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

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Question Number	Answer	Mark
22(a)	KAA 8 marks Up to 4 marks for the diagram AD shifts to the left; correct movement (1), lines labelled (1), axes labelled (1), equilibria labelled (1). Note diagrams where the movement is incorrect receive no marks. Up to 4 marks for an explanation of transmission mechanism: Less employment leads to less government expenditure and/or consumption and/or less investment (2), falling AD leading to less output (2). The following analysis with accompanying diagram could be awarded all KAA marks: If AS is shifted to left on the basis that productivity will fall if (maximum of 2 marks): • quality of health and education fall • workers leave the workforce • deteriorating human capital resulting from long term unemployment and therefore reducing the PPF or full employment output (2) Evaluation 4 marks (1 x 4 or 2 x 2) factors might include • Rise in unemployment leads to a rise in benefits (G) and so automatically stabilises • Smaller change in the short run but more significant in the long run • Size of the multiplier • Large impact as unemployment already high so many won't be able to get jobs immediately • Effect of other factors counterbalancing or exacerbating the effect	(12)

Level	Mark	Descriptor
Level 3	9-12	2 convincing points with at least one evaluative point
Level 2	5-8	2 convincing points with no further analysis or explanation, or 1 convincing point with some good analysis but no evaluative point; 1 or 2 less-convincing point with some evaluation
Level 1	1-4	Identification of relevant points with or without brief evaluative keywords

EXPERT TUITION

Question Number	Answer	Mark
22(b)	KAA 8 marks 2 reasons (2 x 4 marks) • Inflation is above the MPC's target and tolerance • Important to stop inflationary expectations taking hold and further fuelling inflation • Lowering relative inflation should increase international competitiveness • Stronger pound would reduce impact of cost push inflation 2 marks could be awarded for a diagram which develops the analysis Evaluation 4 marks (2 x 2 marks or 1 x 4 marks) • Greater concern about potential deflationary spiral if consumption collapses • Most factors are temporary • Unions not powerful enough to create wage price spiral • Raising interest would strengthen sterling and reduce exports' competitiveness and further weaken AD • Significance of gradient of curves **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	(12)

Level	Mark	Descriptor
Level 3	9-12	2 convincing points with at least one evaluative point
Level 2	5-8	2 convincing points with no further analysis or explanation, or 1 convincing point with some good analysis but no evaluative point; 1 or 2 less-convincing point with some evaluation
Level 1	1-4	Identification of relevant points with or without brief evaluative keywords

Question Number	Answer	Mark
23(a)	KAA 8 marks (maximum 6 marks for KAA if data NOT used) Two points from the Extracts 1 or 2 or Figure 3. (2 x 4 marks) Identify each point (2 marks) and further explanation of how this factor **might influence the price level**, accept use of AD/AS diagram (2 marks) From Extracts 1 or 2 or Figure 3 - Expectation that inflation will fall below target (line 8) - Rise in Vat to 17.5% - a sharp increase in oil prices - sharp depreciation of sterling (or exchange rates) - fall in consumer spending - fall in investment spending - the build-up of spare capacity in the economy as factories and equipment lie idle - unemployment or employment level changing Evaluation 4 marks (1 x 4 marks or 2 x 2 marks). Factors might include: - Relative significance/importance of two factors - Average earnings in 2009 are roughly in line with target inflation of 2% (Figure 2) - Confidence levels (concern over threat of double dip recession) - Concern still over extent of bad debts - Global recovery seems to be underway - Expansive fiscal policy by the government is still being implemented and full effects are yet to be seen - Stock market has risen very rapidly since QE started suggesting an asset price bubble (financial markets) - Interest rates are already at a historical low - Uncertainty over the full effect of Quantitative Easing - Clearing Banks are not passing on the lower rate - Britain seems to be one of the last countries to be emerging from the recession - Elasticity of AS - reliability of statistics: many are revised later such as GDP - Unemployment is a lagging indicator and may, therefore, be of little use - Reference to conflicting unemployment data - Oil prices are very volatile: increase in price might be temporary - Difficulty of estimating amount of spare capacity in the economy	(12)

EXPERT TUITION

Question Number	Answer	Mark
*23(b)	KAA 18 marks Definitions and/or diagram up to 6 marks for: • Fiscal policy – the government's manipulation of its spending and taxation in order to affect aggregate demand (2 marks) • Supply-side policy – actions by government designed to promote market forces in order to increase economic growth or shift AS/PPF curve out (2 marks) • Rate of unemployment – the percentage of the workforce that is not currently employed (2 marks) • <u>Reward Implicit understanding of definitions</u> • Reference to data (2 marks) – implicit or explicit • 4 marks for <u>any appropriate</u> diagram: made up from: axes labelled (1 mark), equilibria labelled (1 mark), line(s) labelled (1 mark) and correct shift (1 mark). Explanations of at least two policies (up to a maximum of 12 marks); of which up to 6 marks each for two policies explained in depth, or up to 4 marks for three policies explained clearly. **Max 8 marks** if only two fiscal OR two supply side policies explained. Policies might include: • Reducing income tax • Increasing government spending • Increasing the national debt to fund the expansion in spending • Competition policy • Education and training • Reducing VAT or Corporation tax • Increasing subsidies or tax breaks, such as for capital investment or R&D Evaluation 12 marks (3 x 4 marks or 2 x 6 marks) • difficulty of keeping the growth of demand at the right level owing to time lags • difficulty of keeping the growth of demand at the right level owing to inaccurate data • concern about the ability of the government to repay its debt if it gets too large • crowding out of the private sector undermining the net impact of the investment • credibility of the Phillips curve trade off • significance of elasticities of AS or AD explained • magnitude of boost • size of the multiplier • conflict of objectives e.g. possible inflation with fiscal • evaluation of supply side policies, e.g. more uneven distribution of income **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	(30)

Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing effects with at least two evaluative points (an evaluation point is worth up to a maximum of 6 marks)
Level 3	19-24	2 or 3 convincing effects with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing effects with no evaluative point; 1 or 2 less-convincing effects with some evaluation
Level 1	1-6	Identification of relevant effects with or without brief evaluative keywords

EXPERT TUITION

Question Number	Answer	Mark
24	Some criteria that indicates success 2 x 4 marks. Identify each criterion that might indicate success **(2 marks)** and further explanation or reference to data **(2 marks)** • Named target has been clear 2% inflation (+/- 1%) • Transparency and openness maintained (open letters to chancellor in 2007) • MPC remains independent with control of interest rates and free of political interference • These led to reduced inflationary expectations which is self fulfilling to some extent • Looking at Figure 1 generally in tolerance over the decade • Looking at Figure 1 technically no deflation in 2009 • Credit for how monetary policy committee use interest rates • Reward discussion of more recent problems Give credit for candidates who say why target was missed Evaluation (1 x 4 marks or 2 x 2 marks). Factors might include: • Fluctuating state of the economy had inevitable effect on inflation • Changed target to CPI which was more stable than RPI possibly because of absence of volatile housing market and mortgage interest payments • Uncertainty of effect of Quantitative Easing • Looking at Figure 1, out of tolerance in 2007 but not out of control • Looking at Figure 1, vicious cycle of deflation seems to have been avoided in 2009	(12)

Level	Mark	Descriptor
Level 3	9-12	2 convincing criteria with at least one evaluative point
Level 2	5-8	2 convincing criteria with no further analysis or explanation, or 1 convincing criterion with some good analysis but no evaluative point; 1 or 2 less-convincing criterion with some evaluation
Level 1	1-4	Identification of relevant criterion with or without brief evaluative keywords

EXPERT TUITION

Question Number	Answer	Mark
25(a)	Definition of fiscal (2 marks: G 1 and T 1) and monetary policies – interest rates are sufficient (2 marks) Use of extract 2 marks Identification of certain differences (up to 4 marks), e.g. - body in charge, government vs MPC; - frequency of adjustment, typically annual vs monthly.	(6)

Question Number	Answer	Mark
*25(b)	KAA 12 marks Expansionary: (4 marks) G rises or T falls (2 marks); interest rate falls (2 marks) How the policy shifts AD (right/up) either: - Written explanation (2x4 marks); or - Up to 8 marks can be awarded for a written explanation and diagram; Axes labelled (1), Lines labelled (1), correct movement (1), Equilibrium labelled (1) Evaluation (4 marks) factors might include (1x4 marks or 2x2 marks) - that demand management might not work if AS vertical - the policies work in tandem - the policies cancel each other out - inaccurate or missing information - time lag or other short run/long run distinction - taxes may have to rise, or government spending fall in the future - size of multiplier, e.g. high savings ratio means the policy is not very effective - other things not equal, e.g. low confidence, credit crisis	(16)

Question Number	Answer	Mark

26(a)	KAA 10 marks
	
	Interest rates must be raised to reduce inflation or vice versa (2 marks)
	
	Description of transmission mechanisms
	  as follows or costs of borrowing increases(2 x 4 marks):
	
	C falls as:
	    • mortgage interest repayments increases
	    • the return to savings increases
	    • hire purchase costs increase
	
	I falls as the opportunity cost or cost of credit rises; expectation of future income might fall
	
	Pound sterling rises in value.
	    • Imports cheap exports dear, so AD falls
	
	The transmission mechanism could be explained using a diagram. Axes labelled (1), Lines labelled (1), correct movement (1), Equilibrium labelled (1)
	
	2 marks can be awarded for use of data
	
	Evaluation (4 marks). Factors might include (1x4 marks or 2x2 marks):
	    • Time lag of 18-24 months before the full effects is felt
	    • Fixed rate mortgages held by half the 9.5 million mortgage holders in the UK
	    • Investment depends on many things besides interest rates, e.g. confidence, availability of credit
	    • Commercial banks might not pass rate changes on
	    • Magnitude or timing of changes (one big change or a prolonged series of change).
	    • Possible impact on AS
		(14)

Question Number	Answer	Mark
*26(b)	KAA 18 marks of which Identification of concept of stimulating growth, that is, raising real or potential GDP (might be implicit) (2 marks) Diagram, or equivalent written analysis (4 marks). AD/AS or shift to the right. Axes labelled (1), Lines labelled (1), correct movement (1), Equilibrium labelled (1) Policies that might stimulate growth (12 marks) 3 x 4 marks might include: • Increased government spending • Cutting tax • Monetary policy (e.g. cutting interest rates) • Improved trade, e.g. export led growth • Supply side policies (may count as up to three separate policies) Evaluation (12 marks) 3 x 4 marks or 2 x 6 marks might include: • Depends on elasticity of AS when AD shifts • Conflict between policies • Depends on credit availability. Credit problems might prevent growth policy from working, e.g. Greece 2010 or other countries with problems of increased fiscal deficit • Time lag and implementation lags • Other things are not equal – e.g. depends on global economic changes • Proximity to full capacity if AD led growth • Magnitude of multiplier effect Other side effects of policies, e.g. higher growth rates tend to widen income inequality.	(30)

EXPERT TUITION

Question Number	Answer	Mark
27	Identification of multiplier. **(2 marks)** Diagram showing rightward shift in AD, and/or rightward shift in AS or equivalent verbal description. **(4 marks)** Analysis of multiplier. **(4 x 1 marks)** Points might include: - spending becomes other peoples' incomes - explanation of reasons for size of leakages - process continues until all extra income is leaked away - relevance to government spending, for example on hospitals - knock-on effects can be shown with the multiplier formula, although this is not required. Evaluation **(4 marks)** Allow 2 x 2 marks or 1 x 4 marks. Factors might include: - discussion of the size of the multiplier - time lag effects - depends on the shape or the AS curve - other things might not be equal, for example the pound might change in value.	(14)

END OF SECTION B

EXPERT TUITION

Question Number	Indicative content	Mark
28	**Knowledge 4, Application 4, Analysis 8, Evaluation 9**	
	Arguments that QE **has been** effective:	
	• QE provided financial institutions with additional funding to allow them to increase lending to businesses, thus increasing investment in the economy and therefore economic growth	
	• QE provided financial institutions with additional funding to allow them to increase lending to consumers, thus increasing consumption in the economy and therefore economic growth	
	• Without QE the Eurozone economy may have gone into deflation, thus significantly prolonging the recession due to further reduced consumer demand in anticipation of further falls in price	
	• QE was necessary as an additional monetary policy tool for the central bank after they had already cut interest rates as low as possible and the economy had not responded	
	• Commercial interest rates did not drop as much as the ECB base rate due to confidence concerns from banks, so this acted as another way to reduce interest rates	
	Arguments that QE **has not been** effective:	
	• Many financial institutions used QE funding to improve their own financial stability, increase their liquid assets- rather than increasing lending to businesses/consumers	
	• Lack of consumer/business confidence meant there was a lack of demand for loans	
	• Consumers and firms were increasing savings rather than borrowing due to concerns about stability of the Eurozone economy	
	• Effect was limited by contractionary fiscal policy in many Eurozone countries	
	• Significant spare capacity in European economies during recession which QE is unable to make up for	
	• If recession proves short-lived too much QE could be inflationary	**(25)**
	• Different European countries experiencing different economic situation so a 'one size fits all' QE approach may be too much for some countries & not enough for others	
	Candidates can use either side of this argument as KAA and the other side as evaluation	

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	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	5–8	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	9–12	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	13–16	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.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	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	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

EXPERT TUITION

Question Number	Indicative content	Mark
29	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** Arguments that cutting taxes will **positively** impact the economy: • Firms will have more profit to reinvest into their companies, therefore increasing investment, aggregate demand, and therefore output • Consumers have higher disposable income so consumption will increase • Greater injections into the circular flow of income • Less withdrawals form the circular flow of income • Relevant AD/AS diagram illustrating an increase in AD • Increase in size of multiplier • Less incentive for tax evasion/avoidance Arguments that cutting taxes will **negatively** impact the economy: • Firms may not reinvest money, many other factors affect investment decisions- e.g. confidence • Consumers may save any extra disposable income, thus withdrawing it from the circular flow of income • Likely to result in higher government debt leading to increased crowding out • Government will have less money to spend on infrastructure/education etc. that may negatively affect economic growth One side of the argument should count as KAA and the other as EV.	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	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	5–8	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.
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Level 2	4–6	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	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
30	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** Likely effects might include: • Government spending is part of aggregate demand and increased spending will increase aggregate demand • Increase in injections into the circular flow of income and subsequent multiplier effects • Improvement in UK productivity- developing new, more efficient ways of working can boost growth/raise living standards • Improved innovation means UK may have more new goods and services that can be exported to other countries, improving current account and aggregate demand • Improved infrastructure will boost productivity- e.g. better transport means less time spent in traffic jams, fewer delayed trains, etc • Diagrammatic analysis may be used (e.g. AD/AS) Evaluation might include e.g.: • This is not really a very large amount of money, especially over five years and for the whole of the UK economy • Many significant issues with poor quality infrastructure that will need a lot more money to solve- e.g. average speeds falling on roads in London, ageing rail infrastructure causing lots of delays • UK productivity has lagged behind other countries for some time so will need a significant boost just to catch up with the rest of the world • No guarantee that innovation will boost growth • Depends on effectiveness of government at allocating resources	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	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	5–8	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	9–12	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	13–16	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.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	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	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

END OF SECTION C

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