



## **Economics Questions By Topic:**

### **Supply-Side Policies (2.6.3) Mark Scheme**

### **A-Level Edexcel Theme 2**

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## SECTION A

Question Number	Answer	Mark
1	<p><b>The only correct answer is A</b></p> <p><b>B</b> is not correct because this is an interventionist supply-side policy</p> <p><b>C</b> is not correct because this is an interventionist supply-side policy</p> <p><b>D</b> is not correct because this is an interventionist supply-side policy</p>	<b>(1)</b>

Question Number	Answer	Mark
<b>2</b>	<p><b>The only correct answer is A</b></p> <p><i>B is not correct because it is not infrastructure</i></p> <p><i>C is not correct because it is spending on salaries, not infrastructure</i></p> <p><i>D is not correct because it is spending on welfare, not infrastructure</i></p>	<b>(1)</b>

Question Number	Answer	Mark
<b>3(a)</b>	<p><b>The only correct answer is D</b></p> <p><i>A is not correct because that would involve interest rates/QE</i></p> <p><i>B is not correct because that would involve changing the value of the pound</i></p> <p><i>C is not correct because that would involve interest rates/QE</i></p>	<b>(1)</b>

Question Number	Answer	Mark
<b>3(b)</b>	<p style="text-align: center;"><b>Application 2</b></p> <p><b>Application:</b> 2 marks for e.g.</p> <p>500 000 X 0.17 (1)</p> <p>= 85 000</p> <p><b>NB Award full marks for correct answer</b></p>	<b>(2)</b>

Question Number	Answer	Mark
<b>4(a)</b>	<p style="text-align: center;"><b>Application 2</b></p> <p><b>Application:</b> 2 marks for,</p> <ul style="list-style-type: none"> <li>• Correct rightward shift of LRAS (1)</li> <li>• Correct new equilibrium point showing lower price level and higher real output (1)</li> </ul>	<b>(2)</b>

Question Number	Answer	Mark
<b>4(b)</b>	<p><b>The only correct answer is A</b></p> <p><b>B</b> is not correct because an increase in indirect taxation is an example of contractionary fiscal policy</p> <p><b>C</b> is not correct because an increase in interest rate is an example of contractionary monetary policy</p> <p><b>D</b> is not correct because an increase in the regulation of markets is example of market-based supply side policy</p>	<b>(1)</b>

Question Number	Answer	Mark
<b>5</b>	<p><b>The only correct answer is B</b></p> <p><b>A</b> is not correct because a decrease in investment will reduce capital stock of the economy, reducing LRAS</p> <p><b>B</b> is not correct because increase in level of unemployment benefits will reduce the incentive to work, reducing LRAS</p> <p><b>D</b> is not correct as reduced access to credit would decrease investment as banks would be unwilling to lend</p>	<b>(1)</b>

Question Number	Answer	Mark
<b>6</b>	D	<b>(1)</b>

**END OF SECTION A**

**SECTION B**

Question Number	Indicative content	Mark
<b>7</b>	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6</b></p> <p>KAAs:</p> <ul style="list-style-type: none"> <li>• Understanding/definition of supply-side policies</li> <li>• Understanding/definition of economic growth</li> <li>• AD/AS diagram showing change in AS consistent with analysis / use of PPF diagram</li>   <li>• Increased government spending on education and/or training - this would increase skills and productivity</li> <li>• Increased government spending on healthcare - this should reduce the number of days absent from work</li> <li>• Reducing level of benefits and/or income tax - this would incentivise employment and will increase the output per worker of those in work and increase the number of workers in work</li> <li>• Cutting cost of bureaucracy and/or reduce regulation of firms - this would raise productivity</li> <li>• Financial support for investment in the economically deprived regions - this may help overcome structural unemployment and increase the UK's total output</li> <li>• Improving regulation and/or competition of inefficient industries - this would increase the UK's productivity</li> <li>• Privatisation - this may lead to increased competition, innovation and efficiency in the UK</li> <li>• Increased government spending on infrastructure investment (e.g. broadband or roads) - this would reduce industry costs or improve access to market</li> <li>• Reducing corporation tax - therefore increasing the international competitiveness for investment</li> <li>• Government schemes to improve childcare provision</li> <li>• Increased flexibility and/or mobility of labour</li>   <p style="text-align: center;"><b>Evaluation 6</b></p> <ul style="list-style-type: none"> <li>• Significant time lags for supply-side policies</li> <li>• Consideration of the effectiveness of supply-side policies such as infrastructure/ education/ healthcare at delivering sustainable growth</li> <li>• Privatisation may lead to private monopolies and less efficiency and lower economic growth</li> <li>• Cut in the income tax designed as an incentive to work and investment may be ineffective if workers use it as an opportunity to work less for the same income</li> </ul> </ul>	

	<ul style="list-style-type: none"> <li>• Cut in corporation tax ineffective if companies use the cut in corporation tax to boost short-term profits rather investment</li> <li>• Increase in UK taxation elsewhere may have an effect on incentives to work</li> </ul>	<b>(20)</b>
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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 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.



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

Question Number	Indicative content	Mark
8	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6</b></p> <ul style="list-style-type: none"> <li>• Understanding / identification of government policies as fiscal policy or supply-side policy</li> <li>• Relevant diagram, e.g. AD/AS diagram showing rightward shift in AD and/or AS curve</li>   <li>• Investment in education and training to provide a more skilled workforce through increases in the level of human capital</li> <li>• Changes in minimum wage to incentivise employment</li> <li>• Reduction in unemployment and associated benefits to increase incentive to find work</li> <li>• Grants/subsidies/tax breaks to firms</li> <li>• Reduction in tax rates to encourage firms to expand or set up in UK, therefore increasing employment</li> <li>• Reduction in income tax creating a much larger incentive to work, increasing consumption and therefore, employment</li> <li>• Policies to increase real wage flexibility e.g. helping to reduce real wage unemployment</li> <li>• Tax breaks to firms who set up in depressed areas / giving some financial assistance to unemployed workers who move to areas with high employment</li> <li>• Government improving the labour market flexibility by making it easier to hire and fire workers may encourage more job creation</li> <li>• Increase in the provision of free childcare and other measures to increase the activity rate</li> </ul> <p style="text-align: center;"><b>NB Answer must be linked to <i>government policies</i> to access Level 3 or above.</b></p> <p style="text-align: center;"><b>NB Answer must be linked to <i>employment</i> to access Level 3 or above.</b></p>	<b>(14)</b>

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
<b>8</b> continued	<b>Evaluation 6</b>	
	<ul style="list-style-type: none"> <li>• Magnitude of the policy change</li> <li>• Conflicts between the policies</li> <li>• Depends if there is spare capacity</li> <li>• Creditworthiness of the UK government</li> <li>• Conflicts with other UK economic objectives</li> <li>• Discussion of effectiveness of individual policies</li> <li>• External factors beyond UK government's control, e.g. slowdown in global economy</li> <li>• Time lags (for e.g. education takes a long time to have impact on productivity)/implementation lags</li> </ul> <p>Government's budget deficit makes it difficult to pay for large investments or offer significant grants/tax breaks</p>	<b>(6)</b>

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

Question Number	Indicative content	Mark
<b>9</b>	<p style="text-align: center;"><b>Knowledge 3, Application 3, Analysis 3</b></p> <p><b>Potential policies may include:</b></p> <ul style="list-style-type: none"> <li>• Fiscal policies, e.g. reduced corporation tax to increase investment and therefore increase AD</li> <li>• Supply-side policies, e.g. increased investment in education to create a more highly-skilled and therefore more productive workforce</li> </ul> <p>N.B. Candidates may discuss more than one of each type of policy</p> <p>N.B. Candidates must discuss both fiscal and supply-side policies for level 3</p>	<b>(9)</b>

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
<b>9</b> continued	<b>Evaluation 6</b>	
	Evaluation of the policies, e.g. <ul style="list-style-type: none"> <li>• Governments in many Eurozone countries are having to focus on reducing national debt and can't afford policies such as tax cuts</li> <li>• Supply-side policies take a long time to have an impact on the economy</li> </ul>	<b>(6)</b>

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.

Question Number	Indicative content	Mark
<b>10</b>	<p style="text-align: center;"><b>Knowledge 3, Application 3, Analysis 3</b></p> <p>Policies may include:</p> <ul style="list-style-type: none"> <li>• Improved education/training to increase skill level of workforce</li> <li>• Increase in provision and quality of apprenticeships</li> <li>• Improved healthcare to ensure workers take less time off/are healthier at work</li> <li>• Improved infrastructure, e.g. roads, railways, ports, airports, to reduce delays in transporting goods around the country/abroad</li> <li>• Improved telecommunications infrastructure (e.g. faster broadband internet) so businesses can work quicker, communicate with foreign firms better, etc.</li> <li>• Relaxing the planning system to improve house-building and efficiency in construction industry; improve labour mobility</li> </ul> <p><b>NB For a Level 3 response, answers must make clear links to increases in productivity rather than production or output</b></p>	<b>(9)</b>

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
<b>10</b> continued	<p style="text-align: center;"><b>Evaluation 6</b></p> <p>Points may include:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Magnitude of the impact of the policies e.g. Crossrail just affects London</li> <li>• Opportunity cost of the policies</li> <li>• Conflicts between objectives e.g. impact on the environment</li> <li>• Conflicts between policies e.g. increased spending on apprenticeships may have fiscal implications</li> </ul>	<b>(6)</b>

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	Answer	Mark
*11	<p>Up to 6 marks</p> <ul style="list-style-type: none"> <li>• Identification of monetary, fiscal, or supply-side policy (maximum 2 marks)</li> <li>• 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.</li> </ul> <p>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</p> <ul style="list-style-type: none"> <li>• lower interest rates further/go into negative interest rates</li> <li>• lower interest rates leading to fall in value of the currency</li> <li>• Further quantitative easing</li> <li>• Increased government spending to boost AD and therefore price level</li> <li>• Lower taxes to encourage consumers and businesses to increase their spending, increasing AD</li> <li>• Improvements in infrastructure to make it cheaper/easier to export</li> <li>• Improvements in education to make workforce more highly skilled, boosting demand for UK exports</li> </ul> <p>Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks)</p> <ul style="list-style-type: none"> <li>• Reducing interest rates further is unlikely to have much of an impact on AD as they are already at a record low</li> <li>• High levels of national debt make expansionary fiscal policy impractical</li> <li>• Supply-side policies will take time to have an impact on the economy</li> <li>• Investments need to be targeted at the right infrastructure/education to have the desired impact</li> </ul> <p><b>Quality of written communications will be assessed in this question based on the candidate's ability:</b></p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument</li> <li>• To organise information clearly and coherently</li> <li>• To use economic vocabulary appropriately</li> <li>• To use grammar, spelling and punctuation appropriately</li> </ul>	<b>(30)</b>

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
<b>*12</b>	<p>Up to 6 marks</p> <ul style="list-style-type: none"> <li>• Identification of monetary, fiscal, or supply-side policy (maximum 2 marks)</li> <li>• 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.</li> </ul> <p>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</p> <ul style="list-style-type: none"> <li>• Improvements in education to create more skilled workforce</li> <li>• Improvements in healthcare to create healthier workforce, less days lost due to illness</li> <li>• Grants/tax breaks to encourage investment in new machinery support UK exporters</li> <li>• Reduced taxes on firms to encourage more investment</li> <li>• Improvements in infrastructure to speed up efficiency of deliveries, less delays, etc.</li> </ul> <p>Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks)</p> <ul style="list-style-type: none"> <li>• Time lags of government investment in areas such as education</li> <li>• Opportunity cost for the government</li> <li>• Effectiveness of different policies, e.g. most of NHS budget spent on over-65's so unlikely to make much impact on workforce</li> <li>• Magnitude of government spending</li> </ul> <p><b>Quality of written communications will be assessed in this question based on the candidate's ability:</b></p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument</li> <li>• To organise information clearly and coherently</li> <li>• To use economic vocabulary appropriately</li> </ul> <p><b>Quality of written communications will be assessed in this question based on the candidate's ability:</b></p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument</li> <li>• To organise information clearly and coherently</li> <li>• To use economic vocabulary appropriately</li> <li>• To use grammar, spelling and punctuation appropriately</li> </ul>	<b>(30)</b>

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
<b>*13</b>	<p>KAA 18 marks</p> <p>Up to 6 marks:</p> <ul style="list-style-type: none"> <li>• Identification of government policies as fiscal or supply-side policy (2)</li> <li>• Definition of employment rate OR data reference to employment rate (2)</li> <li>• 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.</li> </ul> <p>Explanation of how the policies might help increase employment: 12 marks (3 x 4 marks or 2 x 6 marks);</p> <p>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</p> <ul style="list-style-type: none"> <li>• Investment in education and training to provide a more skilled workforce through increases in the level of human capital</li> <li>• Reduction in minimum wage to encourage more firms to increase employment levels</li> <li>• Reduction in unemployment and associated benefits to increase incentive to find work</li> <li>• Grants/tax breaks to firms encourage increases in employment</li> <li>• Reduction in taxation to encourage firms to expand or set up in UK, therefore increasing employment</li> <li>• Reduction in income tax creating a larger incentive to work, increasing consumption and therefore, employment</li> <li>• Decreasing the power of trade unions will help reduce real wage unemployment</li> <li>• 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</li> <li>• Government improving the labour market flexibility by making it easier to hire and fire workers may encourage more job creation</li> <li>• Increase provision of free childcare</li> </ul>	

	<p>Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks)</p> <ul style="list-style-type: none"> <li>• Time lag (e.g. education takes a long time to have significant impact on productivity) and implementation lags</li> <li>• Government budget deficit and national debt make it difficult to pay for large investments or offer significant grants/tax breaks</li> <li>• External factors beyond UK government's control, e.g. recession in Eurozone</li> <li>• Magnitude of the policy change</li> <li>• Conflicts with other UK economic objectives</li> <li>• Conflicts between the policies</li> <li>• Depends if there is spare capacity</li> <li>• Creditworthiness of the UK government</li> <li>• Discussion of effectiveness of individual policies - this could be 3 separate points</li> </ul> <p><b>Quality of written communications will be assessed in this question based on the candidate's ability:</b></p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument</li> <li>• To organise information clearly and coherently</li> <li>• To use economic vocabulary appropriately</li> <li>• To use grammar, spelling and punctuation appropriately</li> </ul>	<b>(30)</b>
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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

Question Number	Indicative content	Mark
<b>*14</b>	<p>KAA 18</p> <p>Up to 6 marks for</p> <ul style="list-style-type: none"> <li>• Definition of supply side policies (2); <ul style="list-style-type: none"> <li>○ a movement of AS to the right</li> <li>○ increase in the quality/quantity of factor(s) of production</li> <li>○ increase in productivity</li> </ul> </li> <li>• Identification of a supply-side policy (2)</li> <li>• Defining real output as GDP or Economic Growth after inflation has been removed (2)</li> <li>• Use of a Production Possibility diagram to demonstrate growth (2)</li> <li>• AD/AS diagram showing rightward shift in AS (4 marks); correct shift in line (1), lines labelled (1), axes labelled (price level and real GDP/output/income) (1), equilibria labelled (both original and new) (1).</li> </ul> <p>Policies might include 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, further 2 marks for analysis/development of the point</p> <ul style="list-style-type: none"> <li>• Increased or improved education and or training would increase the productivity of the country</li> <li>• Increased or improved health care should reduce the number of days absence and so increase productivity</li> <li>• Changing the level of benefits and/or income tax to incentivise employment would increase the output per worker of those in work and increase the number of workers in work.</li> <li>• Cutting cost of bureaucracy and/or reduce regulation in firms would increase productivity</li> <li>• financial support for investment in economically-deprived regions should help overcome structural unemployment and increase the UK's total output</li> <li>• privatisation of an industry improving regulation and or competition of inefficient industries would increase the UK's productivity</li> <li>• privatisation which may lead to increased competition, innovation and efficiency which should lead to increased productivity</li> <li>• Reducing corporation tax and so increasing international competitiveness for investment which would increase UK productivity</li> <li>• infrastructure investment such as roads or broadband reducing industry's costs or improving access to market should increase the UK's productivity</li> <li>• Increased flexibility and/or mobility of labour market would increase the country's productivity and output</li> <li>• Improved childcare provision</li> </ul> <p>Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks); Comments might include reference to</p> <ul style="list-style-type: none"> <li>• Time it takes for supply side policies to take effect</li> <li>• effectiveness of supply side policies such as infrastructure investments/ education/ health care at delivering sustainable growth</li> <li>• Privatisation may lead to private monopolies and less efficiency and lower economic growth Business confidence may affect investment</li> <li>• Cut in income tax designed as an incentive to work and invest may be ineffective if workers use it as an opportunity to work less for the same income</li> </ul>	(30)

- Cut in corporation tax ineffective if companies use the cut in corporation tax to boost short term profits rather investment
- Interest rates may affect investment
- Effectiveness of policy to deliver desired outcome
- The actions of other countries also trying to attract investment
- Increase in UK taxation elsewhere may have an effect on incentives
- Concern about the ability of the government to repay its debt if it gets too large
- Magnitude of policy change

**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 policies with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords



Question Number	Indicative content	Mark
<b>*15</b>	<p>KAA 18 6 marks</p> <ul style="list-style-type: none"> <li>• Identification of government policy as supply side and/or fiscal (2)</li> <li>• Productivity is output per unit of input (2) Accept labour productivity definition</li> <li>• 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.</li> </ul> <p>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.</p> <ul style="list-style-type: none"> <li>• Increased government spending on infrastructure encouraging investment (inward and/or domestic).</li> <li>• Lower corporation tax to encourage investment (domestic and/or inward)</li> <li>• Redesigning taxes on incomes to create the incentive to work more productively i.e. increased competitiveness in the labour market</li> <li>• Redesigning benefits that create the incentive to work more productively</li> <li>• Improving the quality and focus of education and training will increase its effectiveness at raising productivity (Could be 2 separate points)</li> <li>• Improve health care to reduce sickness and absence which should increase output per worker</li> <li>• Facilitating inward migration of skilled labour increases output per worker</li> <li>• Deregulation to encourage competition leading to greater efficiency</li> <li>• Privatisation</li> <li>• Lower red tape encouragement of entrepreneurship and investment which should lead to higher productivity</li> <li>• 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</li> <li>• Government measures to increase bank lending to further increase investment and productivity- Funding for Lending</li> </ul> <p>Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks); Comments might include reference to</p> <ul style="list-style-type: none"> <li>• Discussion of effectiveness of individual policies- this could be 3 separate points</li> <li>• Effectiveness of certain policies as some services have few opportunities to increase productivity</li> </ul>	<b>(30)</b>

- 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

Question Number	Indicative content	Mark
*16	<p><b>KAA 18</b></p> <p><b>Up to 6 marks (3 x 2 marks):</b></p> <ul style="list-style-type: none"> <li>• Defining supply side policies as measures by the government to increase productive capacity of the economy <b>OR</b> increase LRAS</li> <li>• Defining economic growth as an increase in either real <b>OR</b> potential GDP</li> <li>• Use of relevant data (e.g. data on corporation tax rates from Extract 2 and/or Figure 2)</li> <li>• Use of a production possibility frontier diagram to demonstrate growth through SSP <b>OR</b> use of an AD/AS diagram to demonstrate growth through SSP</li> </ul> <p><b>Policies might include (up to 12 marks):</b></p> <p><b>Corporation tax reductions (1 x 4 marks or 1 x 6 marks)</b></p> <ul style="list-style-type: none"> <li>• increasing investment/productivity or attraction of overseas investment and link to economic growth</li> </ul> <p><b>Other SSP (2 x 4 marks or 1 x 6 marks) - 2 marks for identification of policy and up to 4 marks for link to economic growth</b></p> <ul style="list-style-type: none"> <li>• Increased or improved education</li> <li>• Increased and improved training</li> <li>• Increased or improved health care</li> <li>• Changing the level of benefits to incentivise employment</li> <li>• Reducing income tax to incentivise employment</li> <li>• Cutting cost of bureaucracy / increased deregulation</li> <li>• Privatisation of an industry such as Royal Mail, which may lead to increased competition, innovation and efficiency</li> <li>• Infrastructure investment such as roads or broadband, reducing industries' costs or improving access to market</li> <li>• Increased flexibility and/or mobility of labour market, e.g. reduce trade union power / improved information flows / reduce or abolish national minimum wage</li> </ul> <p><b>Reward use of diagrams (maximum of 2 marks each if develop analysis)</b></p> <p><b>Evaluation 12 marks:</b></p> <p><b>Evaluation of reduction of corporation tax (up to 2 x 6 or 3 x 4 marks)</b></p> <ul style="list-style-type: none"> <li>• Cut in corporation tax ineffective if companies use the cut to boost dividend payments / retained profits rather than for investment</li> <li>• Interest rates / confidence may affect investment more than corporation tax rates (questioning ceteris paribus)</li> <li>• Positive or negative comparison to other countries' corporation tax rates</li> </ul> <p><b>Evaluation of other supply side policies (up to 1 x 6 marks or 2 x 4 marks)</b></p> <ul style="list-style-type: none"> <li>• Time it takes for supply side policies to take effect</li> <li>• Privatisation may lead to private monopolies and less efficiency and lower economic growth</li> <li>• Cut in income tax designed as an incentive to work and invest may be ineffective if workers use it as an opportunity to work less for the</li> </ul>	(30)

	<p>same income</p> <ul style="list-style-type: none"> <li>• The actions of other countries also trying to attract investment</li> <li>• Increase in UK taxation elsewhere may have an effect on incentives</li> <li>• Supply side policies ineffective if AD is very low</li> <li>• Elasticity of AD curve</li> <li>• Magnitude of policy changes</li> </ul> <p><b>Quality of written communications will be assessed in this question based on the candidate's ability:</b></p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument</li> <li>• To organise information clearly and coherently</li> <li>• To use economic vocabulary appropriately</li> <li>• To use grammar, spelling and punctuation appropriately</li> </ul>	
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Level	Mark	Descriptor
Level 4	25-30	Two or three convincing policies (including corporation tax cut) with at least two evaluative points
Level 3	19-24	Two or three convincing policies with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	Two or three convincing policies with no evaluative point; one or two less-convincing policy with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

Question Number	Answer	Mark
<p><b>17(a)</b> *</p>	<p>KAA - 8 marks (4 marks for diagram, 4 marks for explanation and analysis)</p> <p>Diagram demonstrating rightward shift of AD and/or AS (4); correct shifts in lines (1), lines labelled (1), axes labelled (1), equilibria labelled (1). (<b>Note:</b> 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)</p> <p>Up to 4 marks: Each effect identified (2) and explained (2)</p> <ul style="list-style-type: none"> <li>• Price level should fall or remain the same if shifts cancel each other out, or rise if AD shifts only/more</li> <li>• Real output should rise</li> <li>• Increase in productivity</li> <li>• Increase in competitiveness of UK goods and services, leading to an improvement in the Balance of Payments on current account</li> <li>• Reduction in unemployment / increased occupational mobility of labour</li> <li>• Effects on the government budget position</li> <li>• Improvement in the UK's HDI</li> </ul> <p><b>NB: if no AS/AD diagram, award a maximum of 4 KAA marks</b></p> <p>Evaluation - 4 marks (1 x 4 or 2 x 2)</p> <ul style="list-style-type: none"> <li>• Spending might not affect quality of output – e.g. managerial expenses may absorb expenditure</li> <li>• Effects depend on the type/level of education improved</li> <li>• Time lag</li> <li>• The effects depends on the shape of the AS curve</li> <li>• Reduction in government spending elsewhere (opportunity cost)</li> <li>• Increase in taxation elsewhere may have an effect on incentives</li> <li>• Other determinants of AD such as exchange rates changing - ceteris paribus may not hold</li> <li>• Long run and short run effects</li> <li>• May have no effect on price level if shift in AD cancels out the effect on AS</li> </ul> <p><b>Quality of written communications will be assessed in this question based on the candidate's ability:</b></p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument</li> <li>• To organise information clearly and coherently</li> <li>• To use economic vocabulary appropriately</li> </ul>	<p><b>(12)</b></p>

	<ul style="list-style-type: none"> <li>To use grammar, spelling and punctuation appropriately</li> </ul>	
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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
<b>17(b)*</b>	<p>KAA 18 Up to 6 marks</p> <ul style="list-style-type: none"> <li>2 marks for defining living standards (may be implicit): <ul style="list-style-type: none"> <li>raising real or potential GDP</li> <li>increase in (average) real income</li> <li>non-GDP economic and social indicators, i.e. the quality of life or reduction in income inequality</li> <li>Other methods of measurement or comparison</li> </ul> </li> <li>Identification of a type of policy the government can implement to raise living standards: <ul style="list-style-type: none"> <li>Fiscal policy (2)</li> <li>Monetary policy (2)</li> <li>Supply side policy (2)</li> </ul> </li> <li>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)</li> </ul> <p>Identification and explanation of the effects of specific policies - 12 marks (3 x 4 marks or 2 x 6 marks):</p> <ul style="list-style-type: none"> <li>Increased government spending (may count as up to 3 separate policies)</li> <li>Cutting tax</li> <li>Monetary policy, e.g. cutting interest rates</li> <li>Improved trade, e.g. export-led growth</li> <li>Supply side policies (may count as up to 3 separate policies)</li> <li>Redistributive policies to increase living standards in short run and possibly long run</li> <li>Improve the quality of the living standards</li> </ul>	

	<p>Reward use of diagrams (maximum of 2 marks each if they develop analysis)</p> <p>Evaluation - 12 marks (2 x 6 marks or 3 x 4 marks) factors might include:</p> <ul style="list-style-type: none"> <li>• Different approaches in developed and developing countries</li> <li>• Comparison of Spain and UK, i.e. UK has a higher per capita income but lower HDI</li> <li>• Depends on elasticity of AS when AD shifts</li> <li>• Supply side policies are ineffective when AD is very low</li> <li>• Opportunity cost of government spending</li> <li>• Many economies are currently not in a position to finance expansionary fiscal or supply side policies</li> <li>• Time lag and implementation lags</li> <li>• Other things are not equal – e.g. depends on global economic changes</li> <li>• Magnitude of multiplier effect</li> <li>• Other negative side effects of policies, e.g. some policies may increase GDP but reduce living standards in terms of inequality/environment.</li> </ul> <p><b>Quality of written communications will be assessed in this question based on the candidate's ability:</b></p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument</li> <li>• To organise information clearly and coherently</li> <li>• To use economic vocabulary appropriately</li> <li>• To use grammar, spelling and punctuation appropriately</li> </ul>			<b>(30)</b>
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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

Question Number	Indicative Content	Mark
<b>*18</b>	<p>KAA 18</p> <p>Up to 6 marks</p> <ul style="list-style-type: none"> <li>• Identification of low and stable unemployment/full employment as a government objective (2)</li> <li>• Identification of any macroeconomic policy as fiscal, monetary and/or supply side (reward implicit understanding) (2)</li> <li>• Use of data indicating extent of unemployment (2)</li> <li>• 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.</li> </ul> <p>Explanation of how the policies might reduce the level of unemployment</p>	



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

Question Number	Answer	Mark
19	<p>KAA 18 marks</p> <p>Definitions and/or diagram up to 6 marks for:</p> <ul style="list-style-type: none"> <li>• Fiscal policy - the government's manipulation of its spending and taxation in order to affect aggregate demand (2 marks)</li> <li>• 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)</li> <li>• Rate of unemployment - the percentage of the workforce that is not currently employed (2 marks)</li> <li>• <u>Reward Implicit understanding of definitions</u></li> <li>• Reference to data (2 marks) - implicit or explicit</li> <li>• 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).</li> </ul> <p>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.</p> <p>Max 8 marks if only two fiscal OR two supply side policies explained.</p> <p>Policies might include:</p> <ul style="list-style-type: none"> <li>• Reducing income tax</li> <li>• Increasing government spending</li> <li>• Increasing the national debt to fund the expansion in spending</li> <li>• Competition policy</li> <li>• Education and training</li> <li>• Reducing VAT or Corporation tax</li> <li>• Increasing subsidies or tax breaks, such as for capital investment or R&amp;D</li> </ul> <p>Evaluation 12 marks (3 x 4 marks or 2 x 6 marks)</p> <ul style="list-style-type: none"> <li>• difficulty of keeping the growth of demand at the right level owing to time lags</li> <li>• difficulty of keeping the growth of demand at the right level owing to inaccurate data</li> <li>• concern about the ability of the government to repay its debt if it gets too large</li> <li>• crowding out of the private sector undermining the net impact of the investment</li> <li>• credibility of the Phillips curve trade off</li> <li>• significance of elasticities of AS or AD explained</li> <li>• magnitude of boost</li> <li>• size of the multiplier</li> <li>• conflict of objectives e.g. possible inflation with fiscal</li> <li>• evaluation of supply side policies, e.g. more uneven distribution of income</li> </ul> <p>Quality of written communications will be assessed in this question based on the candidate's ability:</p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument</li> <li>• To organise information clearly and coherently</li> <li>• To use economic vocabulary appropriately</li> <li>• To use grammar, spelling and punctuation appropriately</li> </ul>	(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

Question Number	Answer	Mark
20	<p>KAA 18 marks  <b>Up to 6 marks</b> for definitions:  Definition and outline of the nature of supply side policies</p> <ul style="list-style-type: none"> <li>• Accept rightward shift of the aggregate supply curve or similar definition (2 marks)</li> <li>• a diagram showing rightward shift of AS curve; axes labelled(1), equilibria labelled(1), AD/AS lines labelled(1), correct shift (AS to right)(1). No marks for diagram if shift in wrong direction. Alternatively reward explanation in words demonstrating the impact on the price level and real output (4 marks).</li> </ul> <p>Possible definitions include either:</p> <ul style="list-style-type: none"> <li>• a change in the capital stock to offset depreciation (2 marks)</li> <li>• or productivity is the output per worker, machine, operational unit or per unit of inputs (2 marks)</li> <li>• or supply-side measures as those aimed at increasing productivity and/or competition in the product market (2 marks). Allow policies aimed at shifting AS to the right (2 marks).</li> </ul> <p>Explanation and analysis of at least two policies (12 marks);</p> <p>of which, up to 6 marks each for two policies explained in depth with examples, or up to 4 marks for three policies explained clearly.  2 marks for identifying each policy and up to a further 4 for development</p> <p>Policies might include:</p> <ul style="list-style-type: none"> <li>• Increase accessibility and flexibility of the education system for adults and those in work to increase and update their skills</li> <li>• Subsidise firms to take on school leavers and graduates to enable them to get work experience and useful skills (New deal, Sure Start, modern apprenticeships)</li> <li>• Provide training and subsidise work placements for potentially long term unemployed</li> <li>• Offer subsidies or tax breaks for investment in long term capital projects</li> <li>• Implement schemes to offer businesses extra credit to cover overdraft payments in the short run</li> <li>• Offer subsidies or tax breaks for investment in research and development</li> <li>• Other recent policy developments e.g. trade union reform, attract skilled immigrants</li> <li>• Reduction in Corporation tax</li> <li>• Privatisation and deregulation</li> </ul> <p>Evaluation (12 marks);</p> <p>of which award two very well developed points (6 marks each) or three factors clearly given (up to 4 marks each). Factors comments might include reference to</p> <ul style="list-style-type: none"> <li>• Significance of elasticities of AD and AS curves</li> <li>• Extent of shifts in AS curves</li> <li>• Time lags</li> <li>• Short run and long run impact</li> </ul>	(30)

- Critical consideration of the effectiveness of policies
- Other factors might be more significant in promoting productivity e.g. management methods
- Cost implications of these policies

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 measures 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 measures with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing measures with no evaluative point; 1 or 2 less-convincing measures with some evaluation
Level 1	1-6	Identification of relevant measures with or without brief evaluative keywords

Question Number	Answer	Mark
21	<p>KAA 18 marks of which</p> <p>Identification of concept of stimulating growth, that is, raising real or potential GDP (might be implicit) (2 marks)</p> <p>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)</p> <p>Policies that might stimulate growth (12 marks) 3 x 4 marks might include:</p> <ul style="list-style-type: none"> <li>• Increased government spending</li> <li>• Cutting tax</li> <li>• Monetary policy (e.g. cutting interest rates)</li> <li>• Improved trade, e.g. export led growth</li> <li>• Supply side policies (may count as up to three separate policies)</li> </ul> <p>Evaluation (12 marks) 3 x 4 marks or 2 x 6 marks might include:</p> <ul style="list-style-type: none"> <li>• Depends on elasticity of AS when AD shifts</li> <li>• Conflict between policies</li> <li>• 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</li> <li>• Time lag and implementation lags</li> <li>• Other things are not equal - e.g. depends on global economic changes</li> <li>• Proximity to full capacity if AD led growth</li> <li>• Magnitude of multiplier effect</li> </ul> <p>Other side effects of policies, e.g. higher growth rates tend to widen income inequality.</p>	(30)

Question Number	Answer	Mark
22	<p>Knowledge, application and analysis (18 marks), of which:</p> <p>Definition of supply side policies. (2 marks)</p> <p>Diagram showing the effects of relevant government policies on the price level and output, showing an increase to the right of AS. (4 marks)</p> <p>Analysis (12 marks) of the effect of chosen policies - award three factors (4 marks each) or two factors (6 marks each). Factors might include:</p> <p>supply side policies:</p> <ul style="list-style-type: none"> <li>• privatisation</li> <li>• education and training</li> <li>• deregulation</li> <li>• cutting bureaucracy</li> <li>• promotion of competition</li> <li>• control of power of monopolies</li> <li>• reduction in planning restrictions</li> <li>• improvement in human capital increases the value of workers' output, meaning that firms can produce more for the same price</li> <li>• improved education increases opportunities which means that incentives can work more effectively.</li> </ul> <p>Evaluation (12 marks) - award three points up to 4 marks each or two well-developed points up to 6 marks each. Points might include the following:</p> <ul style="list-style-type: none"> <li>• time lag for the education to have a result on workforce</li> <li>• education might not be effective, for example Madonna studies, Surf Science</li> <li>• expansionary fiscal implications of supply side policies</li> <li>• other policies might be more effective, such as cutting interest rates</li> <li>• scope for further supply side policies is limited</li> <li>• time lags, for example supply side policies can lag for decades</li> <li>• supply side policy conflicts <ul style="list-style-type: none"> <li>- Increased government spending and tax can cause disincentives</li> <li>- Supply side policy might have positive impact on the fiscal side in the long run.</li> </ul> </li> </ul>	(30)

**END OF SECTION B**

**SECTION C**

Question Number	Indicative content	Mark
<b>23</b>	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 8, Evaluation 9</b></p> <p>Arguments that cutting taxes will <b>positively</b> impact the economy:</p> <ul style="list-style-type: none"> <li>• Firms will have more profit to reinvest into their companies, therefore increasing investment, aggregate demand, and therefore output</li> <li>• Consumers have higher disposable income so consumption will increase</li> <li>• Greater injections into the circular flow of income</li> <li>• Less withdrawals form the circular flow of income</li> <li>• Relevant AD/AS diagram illustrating an increase in AD</li> <li>• Increase in size of multiplier</li> <li>• Less incentive for tax evasion/avoidance</li> </ul> <p>Arguments that cutting taxes will <b>negatively</b> impact the economy:</p> <ul style="list-style-type: none"> <li>• Firms may not reinvest money, many other factors affect investment decisions- e.g. confidence</li> <li>• Consumers may save any extra disposable income, thus withdrawing it from the circular flow of income</li> <li>• Likely to result in higher government debt leading to increased crowding out</li> <li>• Government will have less money to spend on infrastructure/education etc. that may negatively affect economic growth</li> </ul> <p>One side of the argument should count as KAA and the other as EV.</p>	<b>(25)</b>



<b>Knowledge, application and analysis</b>		
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.

<b>Evaluation</b>		
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.

Question Number	Indicative content	Mark
24	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 8, Evaluation 9</b></p> <p>Likely effects might include:</p> <ul style="list-style-type: none"> <li>• Government spending is part of aggregate demand and increased spending will increase aggregate demand</li> <li>• Increase in injections into the circular flow of income and subsequent multiplier effects</li> <li>• Improvement in UK productivity- developing new, more efficient ways of working can boost growth/raise living standards</li> <li>• Improved innovation means UK may have more new goods and services that can be exported to other countries, improving current account and aggregate demand</li> <li>• Improved infrastructure will boost productivity- e.g. better transport means less time spent in traffic jams, fewer delayed trains, etc</li> <li>• Diagrammatic analysis may be used (e.g. AD/AS)</li> </ul> <p>Evaluation might include e.g.:</p> <ul style="list-style-type: none"> <li>• This is not really a very large amount of money, especially over five years and for the whole of the UK economy</li> <li>• 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</li> <li>• 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</li> <li>• No guarantee that innovation will boost growth</li> <li>• Depends on effectiveness of government at allocating resources</li> </ul>	<b>(25)</b>

<b>Knowledge, application and analysis</b>		
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.

<b>Evaluation</b>		
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**