OXFORD
INTERNATIONAL AQA EXAMINATIONS

INTERNATIONAL AS
ECONOMICS
(9640)
Mark scheme

Unit 2: The national economy in a global environment

Specimen 1 2019

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

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

International AS Economics mark scheme

How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students

- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)

- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded

- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)

- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study economics in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about economics. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

The marking grids

The marking grids cover all the Assessment Objectives indicated as being assessed in each question, followed by the indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors in each level show the performance characteristics of the level. There are the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

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

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the lead examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse. You can then use this to allocate a mark for the answer based on the lead examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

An answer that contains nothing of relevance to the question must be awarded no marks.
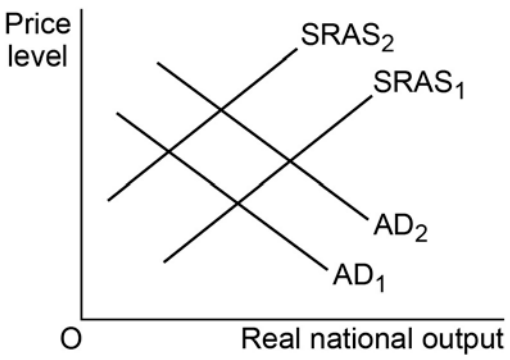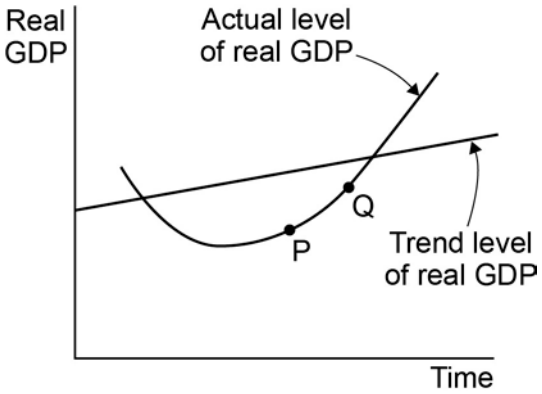
Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in question 21 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.
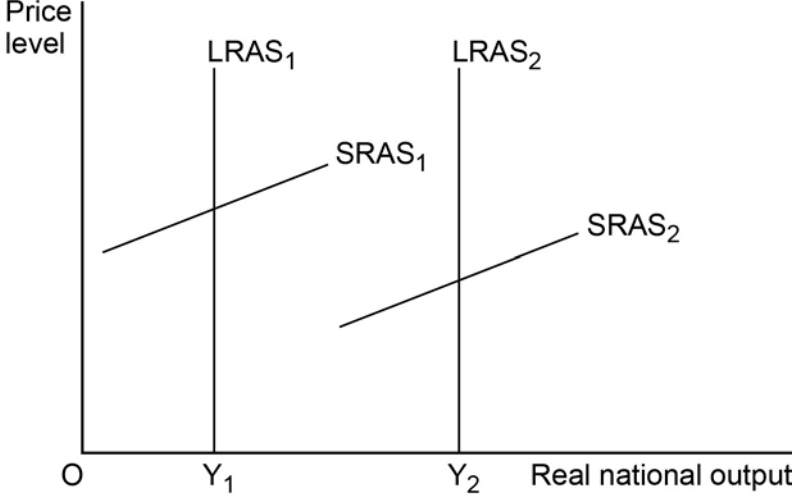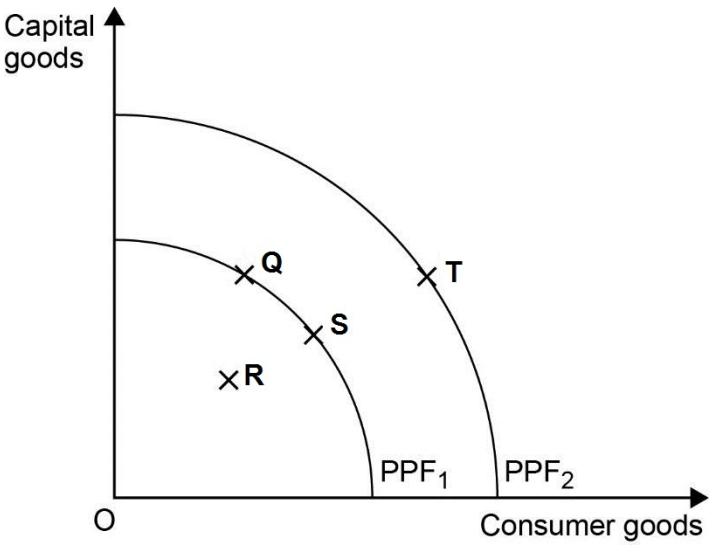
Annotating scripts

Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A   **Total for this section: 15 marks**

Question	Part	Marking guidance	Total marks
01		**Which one of the following is an injection?** Answer: B (Government spending)	**1** **AO1=1**
02		**An example of expansionary monetary policy** Answer: D (An increase in the money supply)	**1** **AO1=1**
03		**Shows the most likely effects of an increase in government spending financed by an increase in indirect tax** Answer: A	**1** **AO2=1**
04		 **Between the points P and Q, which one of the following is most likely to be correct?** Answer: B (The actual rate of economic growth is rising while the level of unemployment is falling)	**1** **AO3=1**

Question	Part	Marking guidance	Total marks
05		**Changes are regularly made to the weights used in a country's consumer price index. This means that the index takes account of changes in** Answer: B (spending patterns throughout the economy.)	1 AO1=1
06		 **The most likely combination of causes of the shifts in the short run and long run aggregate supply curves is** Answer: C (a rise in immigration and a fall in money wages.)	1 AO2=1
07		**Structural unemployment is most likely to be caused by** Answer: A (a change in the pattern of demand.)	1 AO1=1
08		**In an economy, the government reduced its spending by $4bn at the same time as exports rose by $20bn. As a result of these changes, national income rose by $20bn. The size of the multiplier is** Answer: D (1.25)	1 AO3=1
09		**All other things being equal, a rise in a country's exchange rate is most likely to** Answer: C (reduce the positive output gap and reduce inflation.)	1 AO2=1

Question	Part	Marking guidance	Total marks
10		**The annual rate of change in the consumer prices index for an economy falls from 6% to 3%. All other things being equal, this economy is best described** Answer: D (experiencing disinflation.)	1 AO2=1
11		**The table below shows annual income before tax for three different households and the total annual amount of income tax that each household pays.** <table><tr><th>Household income before tax</th><th>Income tax</th></tr><tr><td>$18 000</td><td>$7 000</td></tr><tr><td>$40 000</td><td>$12 000</td></tr><tr><td>$80 000</td><td>$22 400</td></tr></table> **This income tax is** Answer: D (regressive.)	1 AO3=1
12		**Most likely to increase the current account deficit on the balance of payments** Answer: D (An increase in the exchange rate)	1 AO1=1
13		 **Movement represents an economy that has experienced short-run but not long-run economic growth** Answer: C (R to S)	1 AO2=1

Question	Part	Marking guidance	Total marks
14		**The accelerator principle illustrates the relationship between investment and the rate of change of** Answer: B (national income.)	1 AO1=1
15		 | **Components of AD**	**($billion)**
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Consumption	500
Investment	50
Government spending	250
Exports	?
Imports	50
Aggregate demand	825	 **What is the value of exports in $ billion?** Answer: B (75)	1 AO3=1

Section B   **Total for this section: 65 marks**

Question	Part	Marking guidance	Total marks
16	**1**	**Define 'economic growth' Extract B (line 2).** **A full and precise definition is given (3 marks)** Examples: • the increase in a country's productive potential (over time) • the increase in real national income (over time). **The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (2 marks)** Examples: • the increase in productive potential (no reference to country) • the increase in national income (no reference to real). **Fragmented points only (1 mark)** Example: • how much a country grows.	**3** **AO1=3**

Question	Part	Marking guidance	Total marks
16	**2**	**Define 'productivity' Extract B (line 18).** **A full and precise definition is given (3 marks)** Examples: • output per unit of input (over a period of time) • the amount produced per unit of a factor of production (in a given time). **The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (2 marks)** Example: • output per worker (definition of 'labour productivity'). **Fragmented points only (1 mark)** Examples: • the total amount produced (no mention of inputs) • a measure of efficiency in a firm or economy.	**3** **AO1=3**

MAXIMUM FOR QUESTION 16: 6 MARKS

Question	Part	Marking guidance	Total marks
17	**1**	**Calculate, to one decimal place, the mean world GDP growth rate for the five years listed in Extract A, 2009 to 2017.** Calculation: (-1.7 + 3.2 + 2.7 + 2.9 + 3.2) ÷ 5 = 10.3 ÷ 5 = 2.06 which rounds to 2.1% to one decimal place	**3** **AO1=1** **AO2=2**

Response	Max 3 marks
For the correct answer: 2.1% (with or without working shown)	**3 marks**
For the correct value but with missing/incorrect units: eg 2.1 or $2.1 **OR** For the correct answer but not to one decimal place: eg 2.06% or 2% **OR** For the correct answer rounded the wrong way: 2.0%	**2 marks**
For the correct answer but not to one decimal place <u>and</u> with missing/incorrect units: eg 2.06 or $2.06 **OR** For the correct method but the wrong answer: eg (-1.7 + 3.2 + 2.7 + 2.9 + 3.2) ÷ 5 or equivalent	**1 mark**

Question	Part	Marking guidance	Total marks
17	**2**	**If the index of world GDP was 100 at the start of 2009, using Extract A, calculate, to one decimal place, the index of world GDP at the start of 2010.**	**3** AO1=1 AO2=2

Calculation: 100 – [(1.7 ÷ 100) x 100] = 98.3 to one decimal place (or equivalent)

Response	Max 3 marks
For the correct answer: 98.3 (no units but allow 'index points' or equivalent) (with or without working shown)	**3 marks**
For the correct value but with added/incorrect units: eg 98.3% **OR** For the correct answer but not to one decimal place, rounded either way: 98 or 99	**2 marks**
For the correct answer but not to one decimal place <u>and</u> with added/incorrect units: eg 98% **OR** For the correct working but the wrong answer: 100 – [(1.7 ÷ 100) x 100] or equivalent	**1 mark**

MAXIMUM FOR QUESTION 17: 6 MARKS

Question	Part	Marking guidance	Total marks
18	**1**	**Explain why there may be a trade-off between inflation and unemployment.**	**6** **AO1=2** **AO2=2** **AO3=2**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

Level	Marks	Descriptor
3	5–6	• shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles to support the response • includes well-focused analysis with a clear, logical chain of reasoning
2	3–4	• shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places
1	1–2	• shows limited knowledge and understanding of relevant economic terminology, concepts and principles • includes limited application of relevant economic principles to the question • may include some limited analysis but the analysis lacks focus and/or becomes confused
	0	No creditworthy material

Indicative content:

• meanings of inflation and unemployment
• recognition that a number of factors affect inflation: eg excess demand and increasing costs, plus specific factors affecting these, such as an upturn in the economic cycle and higher wages
• recognition that a number of factors affect unemployment: eg demand and supply-side factors, plus specific factors affecting these, such as a downturn in the economic cycle and immobility of labour
• meaning of 'trade-off' and why, as unemployment falls, inflation may rise, and vice versa: for example, due to expansionary monetary policy.

Note: Some candidates may support their answer with a diagram/diagrams but this is not needed for full marks.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
18	**2**	**To what extent do the data suggest that there is a trade-off between inflation and unemployment?** **Use the data in Extract A to help support your answer.**	**6** **AO2=1** **AO3=1** **AO4=4**

Examiners are reminded that AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

Level	Marks	Descriptor
3	5-6	• includes sound evidence that indicates the extent to which there is a trade-off between inflation and unemployment • includes a supported overall judgement concerning the extent to which there is a trade-off between inflation and unemployment
2	3-4	• includes limited evidence that indicates the extent to which there is a trade-off between inflation and unemployment • attempts a judgement concerning the extent to which there is a trade-off between inflation and unemployment but this may not be adequately supported by the data
1	1-2	• includes evidence that does not clearly indicate the extent to which there is a trade-off between inflation and unemployment • may include an unsupported judgement concerning the extent to which there is a trade-off between inflation and unemployment
	0	No creditworthy material

Indicative content:

• for both Brazil and France, the lowest rate of inflation coincided with the highest rate of unemployment – for Brazil, in 2017, with inflation at 3.4% and unemployment at 12.8% and for France, in 2015, with inflation at 0.0% and unemployment at 10.4%
• the highest rate of inflation did not coincide with the lowest rate of unemployment for either Brazil or France – for Brazil, the highest inflation was in 2015, at 9.0%, but the lowest unemployment was in 2011, at 6.9% and for France, the highest inflation was in 2011, at 2.1%, but the lowest unemployment was in 2009 at 8.7%
• in three of the four time periods, in both countries, there appeared to be a trade-off between lower unemployment and lower inflation: for example, between 2009 and 2011, unemployment in Brazil fell from 8.5% to 6.9% whereas inflation rose from 4.9% to 6.6% but between 2013 and 2015, unemployment rose from 7.0% to 8.4% but inflation also rose, from 6.2% to 9.0%
• between the start of the data in 2009 and the end in 2017, inflation in Brazil fell, from 4.9% to 3.4%, whereas unemployment rose from 8.5% to 12.8%, suggesting a trade-off but in France, both inflation and unemployment were lower at the start than the end, rising from 0.1% to 1.0% and 8.7% to 9.4% respectively, which doesn't provide evidence of a trade-off
• some of the changes are very different in % terms, eg in France, there was only a very small increase in inflation from 0.9% to 1.0% between 2013 and 2017, when unemployment fell from 9.9% to 9.4%, whereas the changes in Brazil between 2015 and 2017 were more significant, with inflation falling from 9.0% to 3.4% while unemployment rose from 8.4% to 12.8%
• conclusion that there may be some evidence of a trade-off between lower inflation and lower unemployment for these countries in these years
• recognition that there could be time lags, eg unemployment in Brazil rises between 2013 and 2015 but inflation does not fall until after 2015
• recognition that the trade-off may not apply to other countries and/or other years.

Note: Whilst good answers are likely to draw on the data for both Brazil and France, it is possible to achieve the highest level by considering data for only one of the two countries.

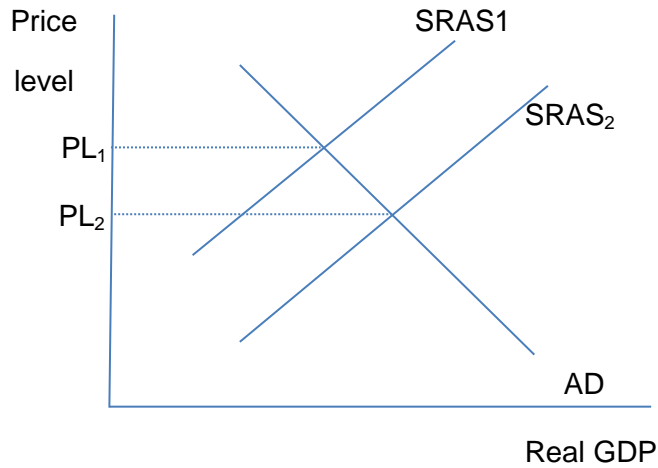Credit valid alternative content. **MAXIMUM FOR QUESTION 18: 12 MARKS**

Question	Part	Marking guidance	Total marks
19		**Extract B (lines 18-19) states: 'It has also been a time of rapid changes in technology, increasing productivity and reducing costs. This has helped many countries keep inflation low'.** **With the help of a diagram, explain how changes in technology can help to keep inflation low.**	**9** **AO1=2** **AO2=4** **AO3=3**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	7–9	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • includes a relevant diagram, that will, at the top of this level, be accurate and used appropriately to support their explanation
2	4–6	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram to support their explanation
1	1–3	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a diagram but the diagram is likely to be inappropriate or inaccurate in some respects, or not used
	0	No creditworthy material

Indicative content

The expected diagram involves at least one AD curve and two AS curves, resulting in two potential equilibrium price levels, showing low or no inflation or deflation. A shift in either SRAS or LRAS is allowable. One possible option is drawn below.

Relevant issues include:

- meanings of productivity and inflation
- how/why technological change increases productivity and reduces costs
- the impact of technological change/higher productivity/lower costs on SRAS and/or LRAS
- how/why higher productivity increases long-run growth of an economy allowing AD to rise without creating demand-pull inflationary pressures
- how/why technological change/higher productivity/lower costs and changes in SRAS and/or LRAS can help to keep inflation low.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
20		**Extract C (lines 16-17) states: 'The global recession caused widespread cyclical unemployment, which resulted in many developed countries running much larger budget deficits'.** **Analyse reasons why a country may have a budget deficit.**	**12** **AO1=3** **AO2=4** **AO3=5**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives.

Level	Marks	Descriptor
3	9–12	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • may include a relevant diagram that is accurate and used appropriately to support their explanation
2	5–8	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram to support their explanation
1	1–4	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate
	0	No creditworthy material

Indicative content:

- meaning of budget deficit and link with fiscal policy
- difference between cyclical and structural budget deficits
- budget deficit likely to involve higher government spending and/or lower taxation, including examples
- analysis of reasons for higher government spending on particular goods and services
- analysis of reasons for lower tax revenue
- analysis of specific reasons such as: increasing AD to reduce cyclical unemployment; demographic changes; capital spending to pursue growth; high interest and loan repayments; etc
- AD/AS analysis.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
21		**Extract C (lines 23-26) states: 'If the unemployment is due to supply-side factors, appropriate policies to reduce unemployment may help to achieve the other macroeconomic objectives as well'.** **Use the extracts and your knowledge of economics to discuss the contribution of supply-side policies to reducing unemployment.**	**20** **AO1=3** **AO2=4** **AO3=5** **AO4=8**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
5	17–20	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.
4	13–16	**Sound, focused analysis and some supported evaluation that:** • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.
3	9–12	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.
2	5–8	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.
1	1–4	**A very weak response that:** • includes little relevant knowledge and understanding of economic

Level	Marks	Descriptor
		terminology, concepts and principles - includes application to the given context which is, at best, very weak - includes attempted analysis which is weak and unsupported.
	0	No creditworthy material

Indicative content:

- meaning of supply-side policies
- types/causes of unemployment
- examples of supply-side policies
- analysis of how supply-side policies could help to reduce some types of unemployment
- how the impact of supply-side policies on other macroeconomic objectives could contribute to reducing unemployment
- evaluation of the likely success of different supply-side policies and what this depends on, eg appropriateness of policy to root cause, cost and opportunity cost, time lags, what if there is insufficient demand for labour
- appropriate policies for cyclical unemployment
- the significance of other data included in the Extracts, eg extent of unemployment, changing patterns of production and trade, technological change, international competition, other macroeconomic priorities and problems, possibility of cyclical unemployment, whether unemployment is short-term or long-term
- that appropriate policies depend on the cause, extent and duration of the unemployment
- different situations and priorities of different countries
- knowledge of experience of particular countries
- an overall judgement of the contribution of supply-side policies to reducing unemployment.

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

Credit valid alternative content.

Assessment Objective grid

	AO1	AO2	AO3	AO4	Total
Section A					
01	1				**1**
02	1				**1**
03		1			**1**
04			1		**1**
05	1				**1**
06		1			**1**
07	1				**1**
08			1		**1**
09		1			**1**
10		1			**1**
11			1		**1**
12	1				**1**
13		1			**1**
14	1				**1**
15			1		**1**
Section B					
16.1	3				**3**
16.2	3				**3**
17.1	1	2			**3**
17.2	1	2			**3**
18.1	2	2	2		**6**
18.2		1	1	4	**6**
19	2	4	3		**9**
20	3	4	5		**12**
21	3	4	5	8	**20**
Unit total	**24**	**24**	**20**	**12**	**80**

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