GCE

Economics

H460/02: Macroeconomics

A Level

Mark Scheme for June 2022

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It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

H460/02   **Mark Scheme**   **June 2022**

PREPARATION FOR MARKING

1. Make sure that you have accessed and completed the relevant training packages for on–screen marking: RM *Assessor Online Training*; *OCR Essential Guide to Marking*.

2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal http://www.rm.com/support/ca

3. Log–in to RM Assessor and mark the **required number** of practice responses ("scripts") and the **required number** of standardisation responses.

YOU MUST MARK 10 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

MARKING

1. Mark strictly to the mark scheme.

2. Marks awarded must relate directly to the marking criteria.

3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.

4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone, email or via the RM Assessor messaging system.

5. Crossed Out, Rubric Error (Optional Questions) and Multiple Responses

    Crossed Out Responses
    Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

    Rubric Error Responses – Optional Questions
    Where candidates have a choice of question across a whole paper or a whole section and have provided more answers than required, then all responses are marked and the highest mark allowable within the rubric is given. *(The underlying assumption is that the candidate has penalised themselves by attempting more questions than necessary in the time allowed.)*

Contradictory Responses
When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)
Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)
If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)
Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the additional pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there then add a tick to confirm that the work has been seen. The 'link page' check box should be used on RM Assessor to link candidate responses in additional objects to the corresponding question number.
   - Where additional objects are present, all pages must contain an annotation, or RM Assessor will not allow you to submit the script. Where no response is given by a candidate on a whole page the 'BP' annotation **must** be applied.
   - Where generic answer booklets are used, all pages must contain an annotation, or RM Assessor will not allow you to submit the script. Where no response is given by a candidate on a whole page the 'BP' annotation **must** be applied.
   - Where structured answer booklets are used, the 'BP' annotation **must** be applied to all pages where no response is given by a candidate.

7 Award No Response (NR) if:
   - there is nothing written in the answer space
Award Zero '0' if:
   - anything is written in the answer space and is not worthy of credit (this includes text and symbols).

Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

8. The RM Assessor **comments box** is used by your Team Leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**

    If you have any questions or comments for your Team Leader, use the phone, the RM Assessor messaging system, or e–mail.

9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

10. For answers marked by levels of response:
    - **To determine the level** – start at the highest level and work down until you reach the level that matches the answer
    - **To determine the mark within the level**, consider the following:

Descriptor	Award mark
Consistently meets the criteria for this level	At top of level
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Meets most of the criteria with some inconsistencies	Middle of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
On the borderline of this level and the one below	At bottom of level

11. **Annotations**

Annotation	Meaning
BP	Blank Page – this annotation must be used on all blank pages within an answer booklet and on each page of an additional object where there is no candidate response.
✔	Correct – mark awarded
✘	Incorrect
BOD	Benefit of doubt
KU	AO1 – Knowledge and understanding
APP	AO2 – Apply knowledge and understanding
AN	AO3 - Analyse
EVAL	AO4 - Evaluation
NAQ	Not answering question
SEEN	Noted but no credit given
TV	Too vague
OFR	Own figure rule
CON	Confused
?	Unclear

M12. **Subject–specific Marking Instructions**

INTRODUCTION
Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:
- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.
You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.
Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.
Rubric Infringement
Candidates may infringe the rubric in the following way:
- answering two questions from Section B or C.

If a candidate has written two answers for Section B or C, mark both answers and award the highest mark achieved.

USING THE MARK SCHEME
Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.
This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.
The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co–ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co–ordination scripts then become part of this Mark Scheme.
Before the Standardisation Meeting, you should read and mark in pencil a number of scripts, in order to gain an impression of the range of responses and achievement that may be expected.
In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited. You will encounter answers which fall outside the 'target range' of Bands for the paper which you are marking. Please mark these answers according to the marking criteria.
Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

Levels of response / Level descriptors	Knowledge and understanding/ Application	Analysis	Evaluation
Strong	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides and reaches a supported judgement.
Good		An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
Reasonable	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
Limited	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

Question			Answer	Marks	Guidance
1	a		**Using information from the stimulus material, identify two reasons why crowding out may not occur.** Low interest rates (1). More savings / increase in savings / excess savings / savings exceeding investment (1). Slowdown of growth and aggregate demand /negative output gap (1)	**2** (AO1*2)	Annotate with ✔ Private sector investment was not making full use of available savings (1)

PMT

Question			Answer	Marks	Guidance
	b		**Using Fig.1, explain how savings can promote economic growth.** Savings provide finance for investment (1) more / better capital equipment increases output per worker (1) higher productivity/efficiency increases productive capacity, raises national output (1)	**2** (AO2*2)	Annotate with ✔ Do not award AD/AS analysis that does not use Fig 1

Question			Answer	Marks	Guidance
1	**c**		**Using Fig.2, explain the relationship between the Gini coefficient and economic growth rate.** The higher the Gini coefficient, the greater the degree of income inequality (1). Most of the data shows an inverse relationship (1) higher the Gini coefficient, the lower the economic growth rate / the lower the Gini coefficient, the higher the economic growth rate (1). UK is an exception / outlier (1). Aggregate demand may be low in countries with a high degree of income inequality (1) due to low consumer expenditure (1) but income inequality can increase incentive to work / innovation / enterprise (1).	**4** (A01*2 & AO2* 2)	Annotate with ✅ • identifying the inverse relationship (1) • any example from the data (1) • UK as the anomaly (1) • higher/lower the Gini coefficient, the lower/higher the growth rate (1) • a country with a high economic growth will have more income to spend on goods/services

Question			Answer	Marks	Guidance
1	d		**Using information from the stimulus material, calculate the UK's 12 month inflation rate in January 2020.** 1.8% (2) Correct working (1).	2 (A02*2)	Annotate with ✔ Correct working: 1.9 / 106.3 x 100. (1) Accept 1.79% or to more than two decimal places using 1.78739417%. Award 1 mark for -1.79% Award 1 mark for 1.79

Question			Answer	Marks	Guidance
1	e		**Using information from the stimulus material, evaluate whether setting an inflation rate target is likely to result in low and stable inflation.** **Level 2 (5 – 8 marks)** **Good knowledge and understanding** of how setting an inflation rate target can influence a country's inflation rate. **Good – strong analysis** of both the reasons why an inflation rate target may and may not keep the inflation rate within target. **Good** analysis will be in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis. **Reasonable – strong evaluation** of both the reasons why an inflation rate target may and may not keep the inflation rate within target, underpinned by appropriate theoretical analysis. **Good** evaluation will weigh up the reasons on both sides but without reaching a strong judgement. **Strong** evaluation should include a supported judgement.	8 (AO1 x 1 AO2 x 1 AO3 x 3 AO4 x 3)	**Knowledge and Understanding** • inflation targeting is an approach to monetary policy in which the central bank is given independence to set interest rates in order to meet an inflation target. **Context** • N.B. 2009 inflation figure should have been in the second ring • Brazil had set a target between 2005 and 2018 at 4.5% • use of any of the figures. • demand and supply side shocks • questioning of the ability of the central bank **Analysis of why it might lead to low and stable inflation** • an inflation rate target may convince households, workers and firms that inflation will stay low and stable. • if this is the case, they may act in a way that keeps inflation low and stable. • households may not buy extra products now in an anticipation of higher prices. • workers may not press for high wages to ensure their real incomes do not fall. • firms may not raise prices significantly as they will not expect a rise their costs of production, they may invest more as it will be easier to plan ahead • an inflation rate target also puts pressure on a central bank to keep the inflation rate low • In the case of the Bank of England, it has to explain to the Chancellor of the Exchequer,

Level 1 (1 – 4 marks)

Limited – reasonable knowledge and understanding of how setting an inflation rate target can influence a country's inflation rate.

Limited – reasonable analysis of the reasons why an inflation rate target can influence a country's inflation rate. **Limited** analysis will have little evidence of reasoning that addresses the question asked. There is a lack of clear structure. **Reasonable** analysis will have correct analysis largely in the form of single links. These address the question but are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis.

Limited evaluation of how an inflation rate target can influence inflation, in the form of an unsupported statement or **no** evaluation.

0 marks for no response or no response worthy of credit.

Note: although a diagram is **not** required, it may enhance the quality of the answer and should be rewarded at the appropriate level.

if it does not meet its target, why and what it is going to do to get inflation back on target.

Evaluation of why it may not

- an adverse supply-side shock, such as an increase in global oil prices, could cause cost-push inflation and cause the rate to go above the target rate.
- an adverse demand-side shock, such as a global recession could take the inflation rate below target
- if the central bank regularly misses its target, economic agents may lose confidence. They may then act in a way that results in high inflation or deflation
- an inflation rate target needs to be a realistic rate. If the country in the previous ten years had averaged an inflation rate of 8%, an inflation rate target of 3% may not be achievable.
- over the period shown it never achieved the central target but in nine (ten) of the fourteen years, the inflation rate was within the margin it had set.

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Possible judgement

- how successful an inflation rate target will be, will depend crucially on whether it is a realistic one
- whether the central bank has a good record
- whether there is confidence of economic agents
- the stability of the global economy.

			Descriptor	**Award mark**
			Consistently meets the criteria for this level	At top of level
			Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
			Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
			On the borderline of this level and the one below	At bottom of level

Question			Answer	Marks	Guidance
1	f	*	**Using information from the stimulus material, evaluate whether an increase in national debt will harm an economy.** **Level 3 (9 – 12 marks)** **Good knowledge and understanding** of how an increase in national debt may affect an economy. **Good – strong analysis** of how an increase in national debt may affect GDP, private sector investment, the ability to sell government securities, the amount of interest that has to be paid and forms of government spending. **Good analysis** will be in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram9s) are predominantly correct and linked to the analysis. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis. **Good – strong evaluation** of how an increase in the national debt may affect an economy, weighing both why it might and might not harm an economy. **Strong evaluation** should include a supported	12 (AO1 x 1 AO2 x 1 AO3 x 5 AO4 x 5)	**Knowledge and Understanding** • the total amount of government debt, based on accumulated previous deficits and surpluses **Context** • higher government spending, financed by borrowing • UK's national debt was 72% of GDP in 2000 • increased national debt could downgrade the UK's credit rating • Japan has a higher debt of 230% of GDP **Analysis of whether an increase in national debt will harm an economy** • There is a risk, that an increase in national debt may make it difficult to sell government securities. • This may be the case if other countries are experiencing an increase in national debt and so the need to borrow more. • there is also the possibility that increased government spending may not cause a rise in real GDP and that interest rates may rise. • if households and firms are pessimistic about the future, consumer expenditure could decrease which in turn will lower aggregate demand. • higher government borrowing could also crowd out private sector investment. It could use up available savings and could drive up the rate of interest. • a rise in interest rates would increase the burden of the national debt.

judgement.

There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.

Level 2 (5 – 8 marks)

Good knowledge and understanding of how an increase in national debt may affect an economy.

Reasonable analysis of how an increase in national debt may affect GDP, private sector investment, the ability to sell government securities, the amount of interest that has to be paid and forms of government spending. There is correct analysis largely in the form of single links. These address the question **but** are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis.

Reasonable evaluation of how an increase in the national debt may affect an economy, considering both why it might and might not harm an economy.

There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.

- there is the possibility that the national debt may result in other areas of government spending having to be cut.
- paying interest on the national debt involves an opportunity cost. For instance, tax revenue spent on paying interest could have been used to spend on healthcare.
- there is also the risk that a government may not be able to meet its debt repayments and may have to default.

Evaluation of whether an increase in the national debt will not harm an economy

- an increase in national debt may not harm an economy if interest rates are low and the extra borrowing generates an increase in GDP. If interest rates are low, the cost of servicing the debt will be low.
- the increase in government spending on, for example infrastructure, could cause a multiple increase in GDP.
- the higher government spending could also crowd in private sector investment.
- improved infrastructure or better education may encourage firms to expand their output as costs of production should fall.
- crowding out is also unlikely to occur if there is a surplus of savings.
- higher GDP will reduce the debt as a proportion of GDP.
- the rise in GDP will increase tax revenue making it easier to service and repay the debt.
- the increase in the country's output is also likely to increase employment and may raise living standards.

Judgement

Level 1 (1 – 4 marks)

Limited – reasonable knowledge and understanding of how an increase in national debt may affect an economy.

Limited analysis of how an increase in national debt may affect GDP, private sector investment, the ability to sell government securities, the amount of interest that has to be paid and forms of government spending.

Limited evaluation of whether an increase in national debt will harm the economy, in the form of an unsupported statement or **no** evaluation.

The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.

0 marks for no response or no response worthy of credit.

Note: although a diagram is **not** required, it may enhance the quality of the answer and should be rewarded at the appropriate level.

- the main influences on whether an increase in government debt will harm an economy will be how it affects:
- GDP
- private sector investment
- interest rates
- whether institutions and people are willing to buy the government debt.
- it depends upon what the increase in debt is spent on
- other countries have higher debts to GDP percentage and can still attract investment.

Descriptor	Award mark
Consistently meets the criteria for this level	At top of level
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)

			Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
			On the borderline of this level and the one below	At bottom of level

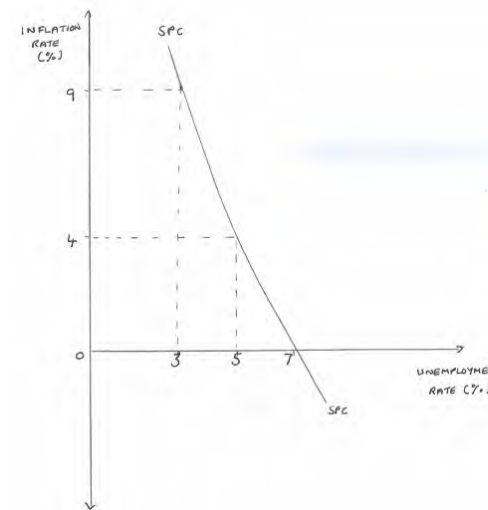| Question			Answer	Marks	Guidance
2	*		**Evaluate, with the use of an appropriate diagram(s), whether the Phillips curve is useful for economic policy makers.** **Level 5 (21 – 25 marks)** **Good – Strong knowledge and understanding** of what the Phillips curve/s suggests to macroeconomic policy makers. **Strong analysis** of what the short run and the long run Phillips curves show. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. The relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. The diagram(s) must be integral to the analysis. **Strong evaluation** of how useful the Phillips curve(s) is for macroeconomic policy makers, weighing up both why it implies there may be a trade-off between unemployment and inflation and why there may not be, coming to a supported judgement. *There is a well-developed and sustained line of reasoning which is coherent and logically structured. The information presented is*	**25** (AO1 x 6 AO2 x 6 AO3 x 6 AO4 x 7)	**Knowledge and understanding** • Phillips curve: an empirical relationship suggesting that there is a trade of between unemployment and inflation **Context** • Poland's unemployment rate fell from 10.3% in 2013 to 3.3% in 2019 while its inflation rate rose from 0.9% to 2.3% over this period. • Stagflation in the UK in the 1970's **Analysis of whether the Phillips curve is useful to economics policy makers** • there is some disagreement about which version of the Phillips curve is most useful for macroeconomic policy makers. • Keynesian economists think that the relationship shown by the short run Phillips curve can be useful. • this version suggests that there can be a trade-off between unemployment and inflation. • it implies that unemployment can be reduced if a government is prepared to accept an increase in the inflation rate. • the diagram shows that a reduction in unemployment from 5% to 3% can result in a rise in inflation from 4% to 9%.

entirely relevant and substantiated.

Level 4 (16 – 20 marks)

Good knowledge and understanding of what the Phillips curve/s suggests to macroeconomic policy makers.

Strong analysis of what the short run and the long run Phillips curves show. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. The relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. The diagram(s) must be integral to the analysis.

- if a government raises aggregate demand by increasing its spending or cutting taxes or interest rates, it may encourage firms to increase their output.
- this could reduce cyclical unemployment, but the higher aggregate demand may cause demand-pull inflation.
- an AD/AS diagram relevant to unemployment and inflation can also be credited.

Evaluation of whether the Phillips curve is not useful to economics policy makers

Good evaluation of how useful the Phillips curve(s) is for macroeconomic policy makers, weighing up both why it implies there may be a trade-off between unemployment and inflation and why there may not be but without reaching a supported judgement.

There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and in the most part substantiated.

- Neo-classical economists, however, argue that this trade off only occurs in the short run.
- they claim that in the long run, unemployment will return to the natural rate

Level 3 (11 – 15 marks)

Good knowledge and understanding of what the Phillips curve/s suggests to macroeconomic policy makers.

Good analysis of what the short run and the long run Phillips curves show. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. The relevant diagram(s) are predominantly correct and linked to the analysis.

Reasonable evaluation of how useful the Phillips curve(s) is for macroeconomic policy makers, considering both why it implies there may be a trade-off between unemployment and inflation and why there may not be.

There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.

Level 2 (6 – 10marks)

Good knowledge and understanding of what the Phillips curve/s suggests to macroeconomic policy makers.

- of unemployment but with a higher inflation rate being established.
- the diagram shows that the natural rate of unemployment is 7%.
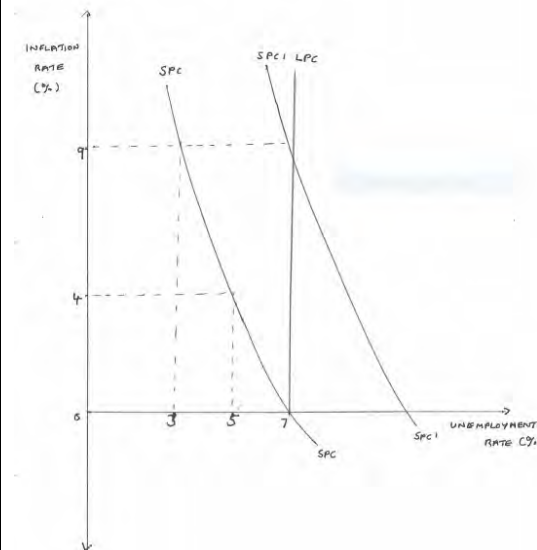
- if the economy was at an unemployment rate of 5% and an inflation rate of 4%, it would return back to the natural rate of unemployment of 7% when firms and workers adjust to the inflation rate of 4%.
- the neo-classical view builds in expectations to the Phillips curve.
- now seeking to reduce unemployment to 3% will again result in inflation rising to 9%.
- the fall in unemployment will only last for a short time.
- when firms realise that their costs have risen as well as their revenue and workers understand their real wages have not risen.

- the number of jobs on offer and the number of workers willing to work will decline.
- now any further attempt to lower unemployment by increasing aggregate demand will only increase the inflation rate to a higher level.

Judgement

- both views of the Phillips curve provide some guidance for economic policy makers.
- the Keynesian short run Phillips curve suggests that a government can reduce unemployment by using expansionary fiscal or monetary policy, although at the cost of higher unemployment.
- in contrast, the neo-classical long run Phillips curve suggests that any reduction in unemployment resulting from the government increasing aggregate demand can only reduce unemployment in the short run. Any attempt to lower unemployment will only succeed in raising inflation higher.
- Will depend upon the position of the AD/AS curve
- Will depend upon whether there is an output gap

Reasonable analysis of what the short run and the long run Phillips curves show. There is correct analysis largely in the form of single links. These address the question **but** are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis.

Reasonable evaluation of how useful the Phillips curve(s) is for macroeconomic policy makers, considering both why it implies there may be a trade-off between unemployment and inflation and why there may not be.

The information has some relevance but is communicated in an unstructured way. The information is supported by limited evidence, the relationship to the evidence may not be clear.

Level 1 (1 – 5 marks)

Reasonable knowledge and understanding of what the Phillips curve/s suggests to macroeconomic policy makers.

Limited or no analysis of what the short run and the long run Phillips curves show. There is little evidence of reasoning that address the question asked. There is a lack of a clear structure.

The relevant diagram(s) must be integral to the analysis.

Limited evaluation of how useful the Phillips curve(s) is for macroeconomic policy makers, in the form of an unsupported statement or **no** evaluation.

Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.

0 marks for no response or no response worthy of credit.

Descriptor	Award mark
Consistently meets the criteria for this level	At top of level
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
On the borderline of this level and the one below	At bottom of level

Question	Answer	Marks	Guidance
3 *	**Evaluate, with the use of an appropriate diagram(s), whether a cut in tax rates will end a recession.** **Level 5 (21 – 25 marks)** **Good – Strong knowledge and understanding** of a recession. **Strong analysis** of how cuts in tax rates can affect aggregate demand and output. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. The relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. The diagram(s) must be integral to the analysis. **Strong evaluation** of how cuts in tax rates could influence real GDP, weighing up both why they may and may not end a recession, coming to a supported judgement. *There is a well-developed and sustained line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.* **Level 4 (16 – 20 marks)**	**25** (AO1 x 6 AO2 x 6 AO3 x 6 AO4 x 7)	**Knowledge and understanding** • Recession: two successive quarters of negative growth • direct tax: a tax on income • indirect tax: a tax on expenditure **Context** • in 2020 several governments were considering cutting tax rates • reference to any country having or had a recession • response to the pandemic **Analysis of whether tax cuts will end a recession** • a cut in tax rates may end a recession by increasing aggregate demand. • lower indirect taxes could increase the willingness and ability of households to spend. • lower income tax would increase disposable income. This would increase the ability of households to buy goods and services and so consumer expenditure is likely to increase. • higher consumer expenditure and a cut in corporate tax could encourage firms to expand their output. • lower corporate tax increases both the funds available for firms to invest and the incentive for firms to invest as the rewards will have increased. • higher consumer expenditure and higher investment will increase aggregate demand.

Good knowledge and understanding of a recession.

Strong analysis of how cuts in tax rates can affect aggregate demand and output. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. The relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. The diagram(s) must be integral to the analysis.

Good evaluation of how cuts in tax rates could influence real GDP, weighing up both why they may and may not end a recession but without reaching a supported judgement.

There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and in the most part substantiated.

Level 3 (11 – 15 marks)

Good knowledge and understanding of a recession.

Good analysis of how cuts in tax rates can affect aggregate demand and output. There is correct analysis in the form of

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- as the diagram shows the higher aggregate demand can cause a rise in real GDP and so end a recession.
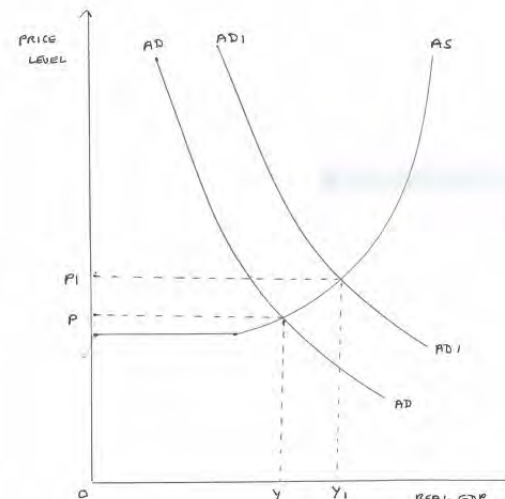
Evaluation of whether tax cuts will not end a recession

- a cut in tax rates may not increase aggregate demand.
- if output and employment are falling significantly because of, for example, a banking collapse, it may be difficult to reverse the decline.
- households and firms are pessimistic about the future.
- it is possible that lower prices and higher disposable income may result in higher savings.
- a cut in taxes may be seen as a panic measure by the government which may

developed links. These links are developed through a chain of reasoning which addresses the question. The relevant diagram(s) are predominantly correct and linked to the analysis.

Reasonable evaluation of how cuts in tax rates could influence real GDP. considering both why they may and why they may not end a recession.

There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.

Level 2 (6 – 10marks)

Good knowledge and understanding of a recession.

Reasonable analysis of how cuts in tax rates can affect aggregate demand and output. There is correct analysis largely in the form of single links. These address the question **but** are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis.

Reasonable evaluation of how cuts in tax rates could influence real GDP, considering both why they may and why they may not

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- make households and firms even more concerned about the future.
- some of the extra disposable income may also be spent on imports, increasing aggregate demand in other economies rather than the domestic economy.
- if the recession was accompanied by deflation, households and firms may still not want to spend, even with more disposable income, if they expect prices to be lower in the future.
- if there is a global recession, a fall in net exports may offset a rise in consumer expenditure and investment and so aggregate demand may not increase.

Judgement
- whether a cut in tax rates will end a recession, will depend on the cause of the recession
- it will depend upon how economic agents respond to the cuts
- it will depend upon what is happening in the global economy.
- It will depend upon how severe the recession is

end a recession.

The information has some relevance but is communicated in an unstructured way. The information is supported by limited evidence, the relationship to the evidence may not be clear.

Level 1 (1 – 5 marks)

Reasonable knowledge and understanding of how cuts in tax rates could influence real GDP,

Limited or no analysis of how cuts in tax rates can affect aggregate demand and output. There is little evidence of reasoning that address the question asked. There is a lack of a clear structure. Any relevant diagram(s) must be integral to the analysis.

Limited evaluation of how cuts in tax rates could influence real GDP, in the form of an unsupported statement or **no** evaluation.

Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.

0 marks for no response or no response worthy of credit.

Descriptor	Award mark
Consistently meets the criteria for this level	At top of level
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)

			On the borderline of this level and the one below		At bottom of level	
Question			**Answer**	**Marks**	**Guidance**	
4	*****		**Evaluate whether a country with a high economic growth rate can achieve sustainable development.** **Level 5 (21 – 25 marks)** **Good – Strong knowledge and understanding** of what is a high economic growth rate and what is sustainable development. **Strong analysis** of how a high economic growth rate can affect sustainable development. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagram(s) must be integral to the analysis. **Strong evaluation** of how a high economic growth rate can affect sustainable development, weighing up both why a high economic growth rate may be accompanied by sustainable development and why it may not, coming to a supported judgement. *There is a well-developed and sustained line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.*	**25** (AO1 x 6 AO2 x 6 AO3 x 6 AO4 x 7)	**Knowledge and understanding** • short-run economic growth is an increase in actual GDP • long-run economic growth is an expansion of the productive capacity of an economy • sustainable development is development that meets the needs of the present without compromising the needs of future generations **Context** • In some recent years, Mongolia has experienced high rates of economic growth. In 2019, its government adopted a long-term development strategy known as Mongolia's Sustainable Development Vision 2030. • Logging in the Amazon • Other examples could include: • deforestation of some of the Amazon Forest through logging and clearance for farming, is threatening not only Brazil but also other countries' ability to achieve sustainable development. • the introduction of electric cars may both reduce pollution and raise living standards. • some firms are also working on electric planes which would reduce the pollution caused by foreign travel **Analysis of how a high economic growth rate can achieve sustainable development** • a high economic growth rate may be accompanied by sustainable development.	

Level 4 (16 – 20 marks)

Good knowledge and understanding of what a high economic growth rate is and what is sustainable development.

Strong analysis of how a high economic growth rate can affect sustainable development. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagram(s) must be integral to the analysis.

Good evaluation of how a high economic growth rate can affect sustainable development, weighing up both why a high economic growth rate may be accompanied by sustainable development and why it may not, but without reaching a supported judgement.

There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and in the most part substantiated.

Level 3 (11 – 15 marks)

Good knowledge and understanding of what is a high economic growth rate and what is sustainable development.

Good analysis of how a high economic growth rate can affect sustainable development. There is correct analysis in the form of

- it is possible that increasing output at a rapid rate can be achieved in a way that meets the development needs of the present generation without endangering the ability of future generations to meet their needs.
- higher output may increase tax revenue and enable more government spending on education and healthcare. This can increase development, raising the present standard of living.
- a better educated labour force may be more innovative and may develop new techniques, cleaner sources of energy and cleaner forms of transport.
- a more educated public may be more likely to recycle and create less waste and be more concerned about the depletion of non-renewable resources.
- some countries, with high economic growth rates, have taken measures to reduce pollution. For instance, China has imposed a nationwide cap on coal use and has banned new coal burning plants.

Evaluation of how a high economic growth cannot achieve economic development

- there is a risk, that a high rate of economic growth may be achieved, in the short run, by increasing pollution and depleting non-renewable resources.
- a country might, for example, increase its real GDP by increasing oil production or depleting fishing stocks.
- higher manufacturing output may increase emissions of carbon dioxide.
- more primary production can also damage the environment. Keeping more cows for beef production will use considerable

developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.

Reasonable evaluation of how a high economic growth rate can affect sustainable development, considering both why a high economic growth rate may be accompanied by sustainable development and why it may not.

There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.

Level 2 (6 – 10marks)

Good knowledge and understanding of what is a high economic growth rate and what is sustainable development.

Reasonable analysis of how a high economic growth rate can affect sustainable development. There is correct analysis largely in the form of single links. These address the question **but** are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis.

Reasonable evaluation of how a high economic growth rate can affect sustainable development, considering both why a high economic growth rate may be accompanied by sustainable development and why it may not.

quantities of water, may cause deforestation, and increase emissions of methane.
- higher output increases income. With more income people may consume more products and may create more waste.
- there may be more cars per head of population and people may use their cars more.
- higher income increases tourism. Travelling to foreign destinations can cause pollution. The growth in the tourist industry in some areas is destroying wildlife habitats, using large quantities of water and generating large quantities of waste.
- pollution can result in climate change which, in turn, can result in soil erosion, flooding and hurricanes which can cause a reduction in productive capacity.
- a high economic growth rate may be achieved by workers working long hours and working under stressful conditions. In both cases, the economic growth may not be sustainable.

Judgement
- whether a **high** economic growth rate is accompanied by sustainable development will depend on:
- production methods
- advances in technology
- what action is taken to reduce climate change.

The information has some relevance but is communicated in an unstructured way. The information is supported by limited evidence, the relationship to the evidence may not be clear.

Level 1 (1 – 5 marks)

Reasonable knowledge and understanding of what is a high economic growth rate and what is sustainable development.

Limited or no analysis of how a high economic growth rate can affect sustainable development. There is little evidence of reasoning that address the question asked. There is a lack of a clear structure. Any relevant diagram(s) must be integral to the analysis.

Limited evaluation of how a high economic growth rate can affect sustainable development, in the form of an unsupported statement or **no** evaluation.

Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.

0 marks for no response or no response worthy of credit.

Note: although a diagram is not required, it may enhance the quality of the answer and should be rewarded at the appropriate level

Descriptor	Award mark
Consistently meets the criteria for this level	At top of level

			Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
			Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
			On the borderline of this level and the one below	At bottom of level

Question			Answer	Marks	Guidance
5	*		**Evaluate whether protectionism always reduces unemployment.** **Level 5 (21 – 25 marks)** **Good – Strong knowledge and understanding** of what is protectionism and what is unemployment. **Strong analysis** of how protectionism can affect unemployment. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagram(s) must be integral to the analysis. **Strong evaluation** of how protectionism can affect unemployment, weighing up both why it may reduce unemployment and why it may increase unemployment, coming to a supported judgement. *There is a well-developed and sustained line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.*	25 (AO1 x 6 AO2 x 6 AO3 x 6 AO4 x 7)	**Knowledge and understanding** • protectionism: measures taken by a country to restrict international trade • unemployment: the number of people who are economically active but not in employment **Context** • In recent years there has been a rise in protectionism. For example, the US Trump administration argued that higher tariffs on Chinese imports would reduce US unemployment **Analysis of whether protectionism reduces employment** • it is possible that protectionism may reduce unemployment in some cases • imposing tariffs, quotas or using other trade restrictions to protect infant industries may create more jobs if those industries succeed in growing. • infant industries may experience difficulties competing with foreign industries as initially they may not be large enough to experience economies of scale. • protecting declining industries may prevent unemployment occurring. If an industry can be allowed to decline gradually by slowly removing support, jobs in the industry can

Level 4 (16 – 20 marks)

Good knowledge and understanding of what is protectionism and what is unemployment.

Strong analysis of how protectionism can affect unemployment. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagram(s) must be integral to the analysis.

Good evaluation of how protectionism can affect unemployment, weighing up both why it may reduce unemployment and why it may increase unemployment, but without reaching a supported judgement.

There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and in the most part substantiated.

Level 3 (11 – 15 marks)

Good knowledge and understanding of what is protectionism and what is unemployment.

Good analysis of how protectionism can affect unemployment. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and

be reduced without causing unemployment. Those workers who retire or move to other industries may not be replaced.
- protectionism may increase employment in industries that have been facing unfair competition from foreign industries. For instance, a foreign government may be providing subsidies to their firms of keeping its exchange rate artificially low.
- imposing tariffs on the foreign country's food or providing subsidies to domestic firms may enable them to compete on more equal terms.
- if the country's firms have high productivity, they may be able to grow and take on more workers.

Evaluation of whether protectionism does not reduce employment

- protectionism is, however, sometimes used to reduce a current account deficit. In this case, there is a risk that it could increase unemployment abroad and in the domestic economy, in the long run.
- foreign employment could fall because it would reduce imports.
- in the long run, if there are problems of high inflation or low productivity, costs of production are likely to rise. The domestic firms will lose the competitive advantage the protectionism initially provided, and sales and employment will fall again.
- protecting one industry may reduce employment in another domestic industry. (For example, if a government protects its country's steel industry, it may push up the price of steel on the domestic market, with more expensive domestic steel replacing

PMT

linked to the analysis.

Reasonable evaluation of how protectionism can affect

unemployment, considering both why it may reduce unemployment

and why it may increase unemployment.

There is a line of reasoning presented with some structure. The

information presented is in the most-part relevant and supported by

some evidence.

Level 2 (6 – 10marks)

Good knowledge and understanding of what is protectionism and
what is unemployment.

Reasonable analysis of how protectionism can affect

unemployment. There is correct analysis largely in the form of

single links. These address the question **but** are not developed into

a clear chain of reasoning. Any relevant diagram(s) may be

imperfectly labelled or not linked to the analysis.

Reasonable evaluation of how protectionism can affect

unemployment, considering both why it may reduce unemployment

and why it may increase unemployment.

The information has some relevance but is communicated in an

unstructured way. The information is supported by limited

evidence, the relationship to the evidence may not be clear.

what had been cheaper imports. This will increase the costs of production of domestic car producers)
- if the international price competitiveness of the country's (car) producers declines, some car workers may be made redundant.
- protectionism may result in retaliation and a trade war. With trade restrictions being imposed on both imports and exports, countries are unlikely to be able to base production on comparative advantage. This may lower global production and global employment.
- protection may reduce the pressure on industries to become competitive.
- protectionism may also stop unemployment arising as industries decline but the declining industries may resist the protectionism being removed.
- protectionism may be used to help industries being affected by unfair competition, but it can be difficult to establish whether competition is unfair.
- protectionism can also prevent the efficient allocation of resources which can reduce global employment.

Judgement

- whether protectionism **always** reduces unemployment will depend on which industries are protected
- it depends upon how the businesses respond to the opportunities provided by protectionism.
- it will depend upon how other countries react to the protection provided.

Level 1 (1 – 5 marks)

Reasonable knowledge and understanding of what is protectionism and what is unemployment.

Limited or no analysis of how protectionism can affect unemployment. There is little evidence of reasoning that address the question asked. There is a lack of a clear structure. Any relevant diagram(s) must be integral to the analysis.

Limited evaluation of how protectionism can affect unemployment, in the form of an unsupported statement or **no** evaluation.

Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.

0 marks for no response or no response worthy of credit.

Note: although a diagram is not required, it may enhance the quality of the answer and should be rewarded at the appropriate level

Descriptor	Award mark
Consistently meets the criteria for this level	At top of level
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)

			Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
			On the borderline of this level and the one below	At bottom of level

Assessment Objectives Grid

Question	AO1	AO2	AO3	AO4	TOTAL	(Quantitative Skills)
1(a)	2				2	
1(b)		2(2)			2	(2)
1(c)	2(2)	2(2)			4	(4)
1(d)		2(2)			2	(2)
1(e)	1	1	3	3	8	
1(f)	1	1	5	5	12	
2/3	6 (2)	6 (2)	6 (2)	7 (2)	25	(8)
4/5	6	6	6	7	25	
TOTAL	18 (4)	20 (8)	20 (2)	22 (2)	80	(16)

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