



**GCSE (9–1)**

**Economics**

**J205/02:** National and international economics

General Certificate of Secondary Education

**Mark Scheme for June 2019**

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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.


















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## Annotations

Annotation	Meaning
	Tick. Use ticks on levels answers if this aids your marking. Number of ticks must never exceed number of marks awarded.
	Cross
	Unclear
	Omission mark
	Knowledge
	Application
	Analysis
	Evaluation
	Benefit of the doubt
<b>BP</b>	Blank page. To be inserted on every blank page.
	Level one
	Level two
	Level three
	Not answered question
	No use of text
	Own figure rule
	Noted but no credit given. To be inserted in every question space where NR is the mark
	Too vague

**Highlighting** is also available to highlight any particular points on the script.

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Levels of response / Level descriptors	Knowledge and understanding	Application	Analysis	Evaluation
<b>Good</b>	<b>Good</b> knowledge and understanding of the theory stated or referred to in the question. All of the terms/theoretical concepts are explicitly or implicitly understood.	<b>Good</b> application of knowledge to a given scenario. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.	<b>Good</b> analysis is developed through a chain of reasoning which addresses the question and has key links that are correct. Any relevant diagram(s) are predominantly correct and linked to the analysis.	<b>Good</b> evaluation with a fully supported judgement that is developed from weighing up arguments/both sides/comparing alternatives.
<b>Reasonable</b>	<b>Reasonable</b> knowledge and understanding of the theory stated or referred to in the question. Most of the terms/theoretical concepts are explicitly or implicitly understood.	<b>Reasonable</b> application of knowledge to a given scenario. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some of the relevant elements of the scenario.	<b>Reasonable</b> analysis is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be improperly labelled or not linked to the analysis.	<b>Reasonable</b> evaluation considers argument(s)/both sides/comparing alternatives as appropriate. There may be a judgement but this will not be fully supported.
<b>Limited</b>	<b>Limited</b> knowledge and understanding of the theory stated or referred to in the question. Some of the terms/theoretical concepts are explicitly or implicitly understood.	<b>Limited</b> application of knowledge to a given scenario. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.	<b>Limited</b> analysis is an attempt at analysis which may include a single effect that has some link to the question. Diagram(s), if present, are unlikely to be correct and not linked to the analysis.	<b>Limited</b> evaluation that may include an incomplete consideration of argument(s)/both sides/comparing alternatives as appropriate. There may be unsupported statements.

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**Section A**

Question	Key	AO	Quantitative skills
1	<b>C</b>	AO1b	
2	<b>C</b>	AO1b	
3	<b>A</b>	AO2	√
4	<b>A</b>	AO1a	
5	<b>D</b>	AO1b	
6	<b>C</b>	AO1b	
7	<b>B</b>	AO1b	
8	<b>B</b>	AO1b	
9	<b>B</b>	AO2	
10	<b>D</b>	AO1b	
11	<b>B</b>	AO1b	
12	<b>A</b>	AO2	√
13	<b>D</b>	AO1a	
14	<b>C</b>	AO2	√
15	<b>B</b>	AO2	√
16	<b>A</b>	AO2	
17	<b>C</b>	AO2	
18	<b>D</b>	AO1b	
19	<b>B</b>	AO1a	
20	<b>C</b>	AO1b	

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**-Section B**

Question		Answer	Mark	Guidance
21	(a)	<p><b>Explain, with reference to Extract 1, how economic growth may have influenced the change in unemployment between 2011 and 2017.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>Economic growth is an increase in output, so extra workers may be needed to produce the extra output so unemployment falls.</li> </ul>	<p><b>2</b></p> <p>AO2</p>	<p>Give 2 marks for a precise answer, as shown.</p> <p>Give 1 mark for a less precise answer where some understanding shown and correctly linked to the fall in unemployment, e.g. a statement that more growth has meant less unemployment but without an explanation.</p>
21	(b)	<p><b>Explain one type of unemployment.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>Cyclical unemployment is caused by a lack of demand.</li> <li>Structural unemployment is caused by a permanent decline in an industry.</li> <li>Frictional unemployment is caused by time lags when workers move between jobs.</li> <li>Seasonal unemployment is caused by a fall in demand during a particular season.</li> </ul>	<p><b>2</b></p> <p>AO1b</p>	<p>Give 2 marks for an explanation of a type of unemployment that includes the type of unemployment and shows understanding.</p> <p>Give 1 mark for some understanding, e.g. workers are unemployed when a factory closes.</p>

Question		Answer	Mark	Guidance
21	(c)	<p><b>Analyse how the changes in the UK's unemployment rate shown in Extract 1, on page 10, would be likely to affect the government's budget.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>The budget is calculated by the difference between government spending and tax revenue.</li> </ul> <p>Reference to changes in extract:</p> <ul style="list-style-type: none"> <li>Extract 1 shows unemployment falling (e.g. 1997-2005, 2011-2017) and rising (e.g. most of the period 2005-2011).</li> </ul> <p>Development from falling / rising unemployment, e.g for falling may include:</p> <ul style="list-style-type: none"> <li>Tax revenue reasoning may include: <ul style="list-style-type: none"> <li>More people with wages may mean more tax revenue from direct taxes / income tax / national insurance.</li> <li>Higher incomes due to employment may mean consumer spending rises so tax revenue from indirect taxes / VAT rises.</li> </ul> </li> <li>Government spending reasoning may include: <ul style="list-style-type: none"> <li>Fewer people need / are eligible for unemployment-related benefits / JSA, so government spending falls.</li> </ul> </li> </ul>	<p><b>6</b></p> <p>1xAO1a 2xAO2 3xAO3a</p>	<p>All level descriptors describe the <b>TOP</b> of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</p> <p><b>Level 3 (5-6 marks)</b></p> <p>(AO1a: 1 mark, AO2: 2 marks, AO3a: 3 marks = 6 marks)</p> <p><b>Reasonable</b> knowledge and understanding. All of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p><b>Reasonable</b> application of knowledge to the scenario of the change in unemployment rates on the budget. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario.</p> <p><b>Good</b> analysis of the effect on the budget. There is correct analysis in the form of developed links which will consider both when the unemployment rate <b>rises and falls</b> (although full analysis of both is not required). These links are developed through a chain of reasoning which addresses the question.</p> <p><b>Level 2 (3-4 marks)</b></p> <p>(AO1a: 1 mark, AO2: 1 mark, AO3a: 2 marks = 4 marks)</p> <p><b>Reasonable</b> knowledge and understanding. Most of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p><b>Limited</b> application of knowledge of the effects of changes in unemployment rates on the budget. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Reasonable</b> analysis of the effect of on the budget. There is correct analysis, largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning.</p>

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		<ul style="list-style-type: none"> <li>An overall budget impact:               <ul style="list-style-type: none"> <li>(With rising tax revenue and falling government spending) a smaller budget deficit / larger budget surplus is likely.</li> </ul> </li> </ul>		<p><b><u>Level 1 (1-2 marks)</u></b></p> <p>(AO1a: 1 mark, AO2: 0 mark, AO3a: 1 mark = 2 marks)</p> <p><b>Reasonable</b> knowledge and understanding. Some of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p><b>No</b> application of knowledge to the scenario of the changes in unemployment rates on the budget. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Limited</b> analysis of the effect on the budget. There is an attempt at analysis which may include a single effect that has some link to the question.</p> <p><b><u>0 marks</u></b></p> <p>No response or no response worthy of credit.</p> <p><b>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</b></p>
21	(d) (i)	<p><b>State what is meant by 'the unemployment rate'?</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>The percentage of the country's workforce that is unemployed.</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li><math>\frac{\text{number of unemployed}}{\text{workforce}} \times 100</math></li> </ul>	<p><b>2</b></p> <p>AO1a</p>	<p>Give 2 marks for a clear explanation.</p> <p>Give 1 mark for some understanding of unemployment shown, e.g. a definition of the level of unemployment.</p>
21	(d)(ii)	<p><b>A country has a working population of 35 million and 2 million are unemployed. Calculate the unemployment rate. Show your working.</b></p> <p>2m / 35m x 100 = <b><u>5.71%</u></b></p>	<p><b>2</b></p> <p>AO2</p>	<p>Give 2 marks for correct answer.</p> <p>Give 1 mark for correct workings but incorrect answer.</p> <p>Give 1 mark if % sign omitted.</p> <p>Correctly rounded answers are acceptable.</p>



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21	<p>(d)(iii)* <b>Evaluate the consequences of unemployment for individuals. Use the information given in Extract 1 on page 10 and your own knowledge.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>• Lower living standards: unemployed individuals lose their wages so are less able to buy goods and services, resulting in a lower living standard.</li> <li>• Problems within families: unemployed individuals may suffer from loss of status and self-esteem that may lead to problems within families.</li> <li>• Higher taxes: individuals still in work may have to pay higher taxes to cover increased government spending, e.g. on benefits such as JSA.</li> <li>• More stress: individuals still in work may have greater workloads that may lead to stress.</li> <li>• Lower living standards: the government may have to cut spending on services, e.g. health, to offset increased spending on unemployment benefits/reduced tax revenue.</li> <li>• New jobs: some individuals may retrain in new skills that give them a different and/or more satisfying and/or better paid job in the future.</li> <li>• More entrepreneurship: some individuals may be incentivized to use the opportunity of time to set up their own businesses.</li> </ul>	<p><b>6</b></p> <p>1xAO2 2xAO3a 3xAO3b</p>	<p><i>All level descriptors describe the <b>TOP</b> of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p><b><u>Level 3 (5-6 marks)</u></b> (AO2: 1 mark, AO3a: 2 marks, AO3b: 3 marks = 6 marks) <b>Good</b> application of knowledge to the consequences of unemployment for individuals. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p><b>Reasonable</b> analysis of the consequences of unemployment for individuals. There is correct analysis largely in the form of single causes. These causes address the question but are not developed into a clear chain of reasoning.</p> <p><b>Good</b> evaluation with a fully supported judgement that is developed from weighing up the relative importance of the consequences of unemployment for individuals.</p> <p><i>There is a well-developed and detailed chain of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p><b><u>Level 2 (3-4 marks)</u></b> (AO2: 1 mark, AO3a: 1 mark, AO3b: 2 marks = 4 marks) <b>Good</b> application of knowledge of the consequences of unemployment for individuals. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p><b>Limited</b> analysis of the consequences of unemployment for individuals. There is an attempt at analysis which may include a single effect that has some link to the question.</p>

Question	Answer	Mark	Guidance
	<p><b>Evaluation may include:</b></p> <ul style="list-style-type: none"> <li>• The extent to which individual living standards will fall will depend upon the level of benefits that the government provides.</li> <li>• The type of unemployment, e.g. if an individual is frictionally unemployed then s/he can expect to gain new employment soon, while a structurally unemployed individual may find it very difficult to find new employment.</li> <li>• Development of more significant consequences in periods of high cyclical unemployment, e.g. 2009-2014, as it is going to be more difficult for unemployed individuals to find work than at other times, e.g. 2016-17.</li> <li>• The likelihood of the unemployed individual being able to retrain and find new work, e.g. increasingly difficult the longer unemployed due to outdated training.</li> <li>• The likelihood that unemployed individuals will be able to set up businesses which are successful.</li> <li>• Judgement e.g. as to whether the consequences are likely to occur.</li> </ul> <p><b>N.B. Some of above points may be phrased as either analysis or evaluation.</b></p>		<p><b>Reasonable</b> evaluation of the consequences of unemployment for individuals. There may be a judgement but this will not be fully supported.</p> <p><i>There is a chain of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b><u>Level 1 (1-2 marks)</u></b> (AO2: 0 marks, AO3a: 1 mark, AO3b: 1 mark = 2 marks)</p> <p><b>No</b> application of knowledge of the consequences of unemployment for individuals. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Limited</b> analysis of the causes of the consequences of unemployment for individuals. There is an attempt at analysis which may include a single cause that has some link to the question.</p> <p><b>Limited</b> evaluation of the consequences of unemployment for individuals that may include an incomplete comparison of alternatives with unsupported statements.</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p> <p><b><u>0 marks</u></b> No response or no response worthy of credit.</p> <p><b>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</b></p>

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Question		Answer	Mark	Guidance
22	(a)	<p><b>Explain, using the chart in Extract 2, what happened to the price level between August 2013 and February 2015.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>The price level increased because inflation is positive.</li> <li>The price level increased at a decreasing rate.</li> </ul>	<p><b>2</b></p> <p>AO2</p>	<p>Give 2 marks for a correct explanation of the price level rising that includes two elements.</p> <p>Give 1 mark for a statement that the price level rose but without further explanation.</p>
22	(b)	<p><b>Explain, with reference to the chart in Extract 2, how the real value of savings would have been affected by inflation.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>The real value of savings falls because the rate of inflation is always positive</li> <li>The real value of savings falls because their purchasing power falls.</li> </ul>	<p><b>2</b></p> <p>AO2</p>	<p>Give 2 marks for a correct explanation that shows clear understanding of the real value that includes two elements.</p> <p>Give 1 mark for an explanation that shows some understanding, e.g. a statement that real value falls without explanation.</p>
22	(c)	<p><b>Analyse how inflation may affect producers.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>Inflation: sustained rise in the general price level over time.</li> <li>Reduced profits: inflation may increase the price of factor inputs, which would increase costs of production and lower profits.</li> <li>Menu costs: producers have to change their price lists in prices increase with inflation.</li> <li>Shoe leather costs: firms spend time researching prices of inputs as it is difficult to know whether prices are still competitive</li> </ul>	<p><b>6</b></p> <p>1xAO1a 2xAO2 3xAO3a</p>	<p><i>All level descriptors describe the <b>TOP</b> of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p><b><u>Level 3 (5-6 marks)</u></b></p> <p>(AO1a: 1 mark, AO2: 2 marks, AO3a: 3 marks = 6 marks)</p> <p><b>Reasonable</b> knowledge and understanding. All of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p><b>Reasonable</b> application of knowledge to the effects of inflation on producers. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario.</p> <p><b>Good</b> analysis of the effect of the effects of inflation on producers.</p>

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Question	Answer	Mark	Guidance
	<p>when the general price level rises.</p> <ul style="list-style-type: none"> <li>• More flexibility in setting prices: price can be raised as they are less likely to be noticed by consumers when there is inflation, so may lead to increased total revenue.</li> <li>• Producers may have conflicts with the workers / trade unions, which may lead to industrial action / negotiation costs.</li> <li>• Producers as exporter may lose sales: if inflation is higher than in competitor countries, they lose international competitiveness, so overseas consumers may buy lower priced domestic goods.</li> <li>• Producers may lose domestic sales: if inflation is higher than in competitor countries they lose international competitiveness, so domestic consumers may buy lower priced imports instead.</li> <li>• Producers may reduce investment: inflation creates uncertainty / a loss of business confidence so producers may be unwilling to invest, leading to less innovation / efficiency.</li> <li>• Producers as debtors/creditors may gain/lose out (as appropriate) as inflation reduces the real value of loans/debts.</li> <li>• Profit may increase if prices increase at a faster rate than costs of production (e.g. wages).</li> </ul>		<p>There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question.</p> <p><b><u>Level 2 (3-4 marks)</u></b> (AO1a: 1 mark, AO2: 1 mark, AO3a: 2 marks = 4 marks) <b>Reasonable</b> knowledge and understanding. Most of the terms/theoretical concepts are explicitly or implicitly understood. <b>Limited</b> application of knowledge to the effects of inflation on producers. There is an attempt to use/adapt/change the terms/theoretical concepts in the context. <b>Reasonable</b> analysis of the effect of the effects of inflation on producers. There is correct analysis, largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning.</p> <p><b><u>Level 1 (1-2 marks)</u></b> (AO1a: 1 mark, AO2: 0 marks, AO3a: 1 marks = 2 marks) <b>Reasonable</b> knowledge and understanding. Some of the terms/theoretical concepts are explicitly or implicitly understood. <b>No</b> application of knowledge to the effects of inflation on producers. There is an attempt to use/adapt/change the terms/theoretical concepts in the context. <b>Limited</b> analysis of the effects of inflation on producers. There is an attempt at analysis which may include a single effect that has some link to the question.</p> <p><b><u>0 marks</u></b> No response or no work worthy of credit.</p> <p><b>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</b></p>

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Question		Answer	Mark	Guidance
22	(d) (i)	<p><b>State what is meant by ‘price stability’.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>• Price stability is when the general price level stays constant over time.</li> <li>• Price stability is when the general price level grows at a low rate, such as the government target of 2% per annum.</li> </ul>	<p><b>2</b></p> <p>AO1a</p>	<p>Give 2 marks for a correct explanation that includes two elements, such as those shown.</p> <p>Give 1 mark for an explanation which shows some understanding, e.g. prices do not go up.</p>
22	(d)(ii)	<p><b>Explain how the supply side policy of education and training may help to achieve price stability.</b></p> <p><b>Answers may include:</b></p> <ul style="list-style-type: none"> <li>• Education and training can create a more productive workforce, so cost-push / demand-pull inflation is less likely.</li> <li>• Education and training can create a more productive workforce, so supply can keep up with demand.</li> </ul>	<p><b>2</b></p> <p>AO1b</p>	<p>Give 2 marks for a correct explanation of how education and training can help to achieve price stability.</p> <p>Give 1 mark for some understanding of education and training as a supply side policy, e.g. it improves the skills of workers.</p>

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Question	Answer	Mark	Guidance
22	<p><b>(d)(iii)* Evaluate the costs of using supply side policies to achieve price stability. Use the information given in Extract 2 on page 14 and your own knowledge.</b></p> <p><b>Answer may include:</b></p> <p>Supply side policies in Extract 2:</p> <ul style="list-style-type: none"> <li>• education and training</li> <li>• reducing direct taxes on workers to increase incentives to work</li> <li>• reducing direct taxes on firms</li> </ul> <p>Other supply side policies include:</p> <ul style="list-style-type: none"> <li>• reducing state benefits to increase incentives</li> <li>• reducing trade union power in labour markets</li> <li>• policy to promote competition</li> <li>• privatisation</li> <li>• development of infrastructure</li> </ul> <p><b>NB: Candidates may limit their answers to the policies in the extract and the full range of marks is available without other policies being included.</b></p> <p>Costs of supply side policies:</p> <ul style="list-style-type: none"> <li>• Monetary costs can be high, e.g. to build a new motorway, so taxes may need to be raised to allow government spending.</li> <li>• Opportunity cost can be high, e.g. the government may have to sacrifice spending</li> </ul>	<p><b>6</b></p> <p>1xAO2 2xAO3a 3xAO3b</p>	<p><i>All level descriptors describe the <b>TOP</b> of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p><b>Level 3 (5-6 marks)</b></p> <p>(AO2: 1 mark, AO3a: 2 marks, AO3b: 3 marks = 6 marks)</p> <p><b>Good</b> application of knowledge to the costs/problems of supply side policies to achieve price stability. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p><b>Reasonable</b> analysis of the costs/problems of supply side policies to achieve price stability. There is correct analysis, largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning.</p> <p><b>Good</b> evaluation of the costs/problems of supply side policies to achieve price stability with a fully supported judgement that is developed from weighing up arguments/comparing alternatives.</p> <p><i>There is a well-developed and detailed chain of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p><b>Level 2 (3-4 marks)</b></p> <p>(AO2: 1 mark, AO3a: 1 mark, AO3b: 2 marks = 4 marks)</p> <p><b>Good</b> application of knowledge to the costs/problems of supply side policies to achieve price stability. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p><b>Limited</b> analysis of the costs/problems of supply side policies to achieve price stability. There is an attempt at analysis which may</p>

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Question	Answer	Mark	Guidance
	<p>on other services or benefits, which can have harmful effects.</p> <ul style="list-style-type: none"> <li>• Cuts incentive to work: reduced direct taxes on workers may not raise incentives but lower them if the same take-home income can be achieved with less work, resulting in fewer hours worked and lower supply.</li> <li>• Increases inflation: reduced direct taxes on workers increases disposable income which may increase demand and be inflationary.</li> <li>• Lower standard of living: a policy to reduce benefits to incentivise work could increase hardship for low income groups.</li> <li>• Increased inequality: the difference in income between rich and poor becomes bigger if benefits are cut.</li> <li>• Costs linked to industrial disputes: trade unions may oppose measures to reduce their powers in labour markets, which could lead to industrial disputes.</li> <li>• Conflicts with other government objectives, development of impact on e.g. more employment / economic growth / improvement in the balance of payments.</li> </ul>		<p>include a single effect that has some link to the question.</p> <p><b>Reasonable</b> evaluation of the costs/problems of supply side policies to achieve price stability considering arguments/comparing alternatives. There may be a judgement but this will not be fully supported.</p> <p><i>There is a chain of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b><u>Level 1 (1-2 marks)</u></b></p> <p>(AO2: 0 marks, AO3a: 1 mark, AO3b: 1 mark = 2 marks)</p> <p><b>No</b> application of knowledge to the costs/problems of supply side policies to achieve price stability. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Limited</b> analysis of the costs/problems of supply side policies to achieve price stability. There is an attempt at analysis which may include a single effect that has some link to the question.</p> <p><b>Limited</b> evaluation of supply side policies to achieve price stability that may include an incomplete consideration of arguments/comparing alternatives with unsupported statements.</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p> <p><b><u>0 marks</u></b></p> <p>No response or no work worthy of credit.</p> <p><b>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</b></p>

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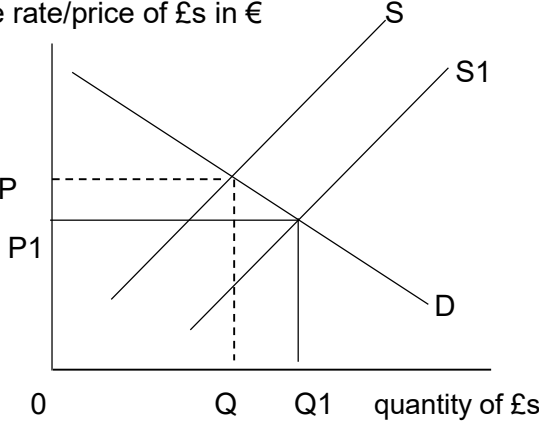
Question	Answer	Mark	Guidance
	<p><b>Evaluation may include:</b></p> <ul style="list-style-type: none"> <li>• Comment on benefits of price stability that offset the costs, e.g. increased consumer confidence/reduced uncertainty.</li> <li>• Comment on benefits of specific policies that offset the costs, e.g. increased competition lowers prices so may increase standard of living.</li> <li>• Time lags: some of the costs can take time to take effect e.g. impact of cuts in government spending on other areas.</li> <li>• Less pressure from trade unions as price stability may reduce the need for wages to be renegotiated.</li> <li>• Contrast between different costs – some are greater than others.</li> <li>• Contrast between costs in the short run and benefits in the long run.</li> <li>• Judgement e.g. as to whether the costs are likely to outweigh the benefits, or their significance, or duration.</li> </ul> <p><b>N.B. Some of above points may be phrased as either analysis or evaluation.</b></p>		



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Question	Answer	Mark	Guidance
23 (a)	<p>Calculate the change in the amount of euros you get to the pound (£) between 2009 and 2015. Show your working.</p> <p><math>1.37 - 1.12 = \underline{0.25 \text{ euros (25 cents)}}</math></p>	<p>2</p> <p>AO2</p>	<p>Give 2 marks for correct answer.</p> <p>Give 1 mark for correct workings but incorrect answer.</p> <p>Where 0.25 but euros not stated award 1 mark.</p> <p>OFR applies.</p>
23 (b)	<p>A UK firm earned €5700 by exporting goods to France in 2017. Calculate, using Extract 3, the firm's income in pounds (£). Show your working.</p> <p><math>5700 / 1.14 = \underline{£5000}</math></p>	<p>2</p> <p>AO2</p>	<p>Give 2 marks for correct answer.</p> <p>Give 1 mark for correct workings but incorrect answer.</p> <p>Where 5000 but pounds not stated award 1 mark.</p> <p>OFR applies.</p>
23 (c)	<p>Using a diagram, analyse how a rise in the supply of pounds could have changed the exchange rate against the euro between 2015 and 2017.</p> <p>£ exchange rate/price of £s in €</p>  <p>0 Q Q1 quantity of £s</p>	<p>6</p> <p>1xAO1a</p> <p>2xAO2</p> <p>3xAO3a</p>	<p>All level descriptors describe the <b>TOP</b> of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</p> <p><b>Level 3 (5-6 marks)</b></p> <p>(AO1a: 1 mark, AO2: 2 marks, AO3a: 3 marks = 6 marks)</p> <p><b>Reasonable</b> knowledge and understanding. All of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p><b>Reasonable</b> application of the change in the supply of pounds. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some of the relevant elements of the scenario.</p> <p><b>Good</b> analysis of the change in the supply of pounds. 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 is predominantly correct and <b>linked to the analysis</b>.</p>

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Question	Answer	Mark	Guidance
	<p>The diagram may contain the actual figures of 1.37 and 1.14 euros on the vertical axis. Candidates may also use other labels instead of P and P1 e.g. E and E1, ER and ER1.</p> <p><b>Answer may include:</b></p> <ul style="list-style-type: none"> <li>• The exchange rate is the price of one currency in terms of another.</li> <li>• Extract 3 shows an exchange rate of 1.37 euros in 2015 and 1.14 euros in 2017.</li> <li>• The value of the pound will fall / depreciate / weaken / buy fewer euros.</li> <li>• A rise in the supply of pounds leads to an outward shift of supply (S to S1).</li> <li>• The exchange rate of the pound falls from <b>P to P1</b>.</li> </ul> <p><b>A maximum of 4 marks if no correct diagram</b></p> <p><b>Apply OFR if incorrect S shift on diagram.</b></p>		<p><b>Level 2 (3-4 marks)</b> (AO1a: 1 mark, AO2: 1 mark, AO3a: 2 marks = 4 marks)</p> <p><b>Reasonable</b> knowledge and understanding. Most of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p><b>Limited</b> application of knowledge to the change in the supply of pounds. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Reasonable</b> analysis of the change in the supply of pounds. There is correct analysis, largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram may be improperly labelled or not linked to the analysis.</p> <p><b>Level 1 (1-2 marks)</b> (AO1a: 1 mark, AO2: 0 marks, AO3a: 1 mark = 2 marks)</p> <p><b>Reasonable</b> knowledge and understanding. Some of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p><b>No</b> application of knowledge to the change in the supply of pounds. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Limited</b> analysis of the change in the supply of pounds. There is an attempt at analysis which may include a single effect that has some link to the question. The diagram may be missing or substantially incorrect.</p> <p><b>0 marks</b> No response or no work worthy of credit.</p> <p><b>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</b></p>

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Question		Answer	Mark	Guidance
23	(d) (i)	<p><b>State what is meant by ‘imports’.</b></p> <p><b>Answer may include:</b></p> <ul style="list-style-type: none"> <li>Imports are goods and services bought from abroad / overseas / other countries.</li> <li>There is an outflow of money in exchange for goods or services.</li> </ul>	<p><b>2</b></p> <p>AO1a</p>	<p>Give 2 marks for a precise definition.</p> <p>Give 1 mark for some understanding shown, e.g. it is a good bought from another country (services ignored in this case).</p>
23	(d)(ii)	<p><b>Explain how a rise in imports may affect employment in the UK.</b></p> <p><b>Answer may include:</b></p> <p>If there is a rise in imports:</p> <ul style="list-style-type: none"> <li>Fewer goods might be bought from UK producers, so fewer workers are needed to make fewer UK goods.</li> <li>There may be more jobs in the import sector e.g. because more people are needed in transportation of the imports.</li> <li>More workers may be needed to produce finished goods using imported inputs.</li> </ul>	<p><b>2</b></p> <p>AO1b</p>	<p>Give 2 marks for a correct explanation that includes the two elements.</p> <p>Give 1 mark for some understanding shown, e.g. fewer products are made in UK.</p> <p>To access the employment change mark, answers must have a clearly explained reason.</p>
23	(d)(iii)*	<p><b>Evaluate whether the change in the exchange rate between 2015 and 2017 would benefit consumers in the UK. Use the information given in Extract 3 on page 18 and your own knowledge.</b></p> <p><b>Answer may include:</b></p> <ul style="list-style-type: none"> <li>The exchange rate has fallen between 2015 and 2017 from 1.37 to 1.14 euros leading to:</li> </ul>	<p><b>6</b></p> <p>1xAO2 2xAO3a 3xAO3b</p>	<p><i>All level descriptors describe the <b>TOP</b> of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p><b><u>Level 3 (5-6 marks)</u></b></p> <p>(AO2: 1 mark, AO3a: 2 marks, AO3b: 3 marks = 6 marks)</p> <p><b>Good</b> application of knowledge of the likely impact of exchange rate changes on consumers. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is</p>

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Question	Answer	Mark	Guidance
	<p>Benefits:</p> <ul style="list-style-type: none"> <li>Fewer imported harmful goods: prices increase of imported goods with negative externalities, e.g. wine, so consumers buy less and have a healthier life.</li> <li>Lower prices for UK goods: UK producers will be more internationally competitive, so may expand and benefit from economies of scale, which enables lower prices for their goods for consumers.</li> <li>Consumers' incomes may rise: if UK producers become more internationally competitive, they may need more workers to make more output.</li> </ul> <p>Costs:</p> <ul style="list-style-type: none"> <li>Fall in standard of living: prices of imports rise so consumers cannot afford as much / purchasing power of their incomes has fallen.</li> <li>As the price of imported inputs rises, this could lead to further inflation / increased prices of UK goods, harming consumers.</li> <li>Fewer holidays abroad: prices of imported services will rise, e.g. tourism abroad, so UK consumers will be less able to afford foreign holidays, leading to lower quality of life.</li> </ul>		<p>good understanding of all the relevant elements of the scenario.</p> <p><b>Reasonable</b> analysis of the likely impact of exchange rate changes on consumers. There is correct analysis, largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning.</p> <p><b>Good</b> evaluation of the likely impact of exchange rate changes on consumers with a fully supported judgement that is developed from a weighing up of costs and benefits.</p> <p><i>There is a well-developed and detailed chain of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p><b><u>Level 2 (3-4 marks)</u></b></p> <p>(AO2: 1 mark, AO3a: 1 mark, AO3b: 2 marks = 4 marks)</p> <p><b>Good</b> application of knowledge of the likely impact of exchange rate changes on consumers. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p><b>Limited</b> analysis of the importance of the likely impact of exchange rate changes on consumers. There is an attempt at analysis which may include a single effect that has some link to the question.</p> <p><b>Reasonable</b> evaluation of importance of the likely impact of exchange rate changes on consumers, considering costs and benefits. There may be a judgement but this will not be fully supported.</p> <p><i>There is a chain of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b><u>Level 1 (1-2 marks)</u></b></p>

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Question	Answer	Mark	Guidance
	<p><b>N.B. Answer may use either 'Yes'/'No' approach for reasoning of benefits/costs that are then evaluated.</b></p> <p><b>Evaluation may include:</b></p> <ul style="list-style-type: none"> <li>• Whether the fall (in this case 23 cents in two years) is passed on fully in higher import prices.</li> <li>• Whether the fall is likely to be permanent, or whether the exchange rate will rise again in the future e.g. using evidence in Extract 3.</li> <li>• Whether other factors change in the economy to offset or worsen the impact, e.g. the Bank of England increases the interest rate.</li> <li>• Whether PED has any impact, e.g. PED for harmful imports may be inelastic, so the negative impacts may not be reduced.</li> <li>• Judgement as to whether consumers would benefit, e.g. costs outweigh benefits.</li> </ul>		<p>(AO2: 0 marks, AO3a: 1 mark, AO3b: 1 mark = 2 marks)</p> <p><b>No</b> application knowledge of the likely impact of exchange rate changes on consumers. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p><b>Limited</b> analysis of exchange rate changes on consumers. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p><b>Limited</b> evaluation of the importance of exchange rate changes on consumers that may include an incomplete consideration of costs and benefits.</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p> <p><b><u>0 marks</u></b></p> <p>No response or no work worthy of credit.</p> <p><b>N.B. This question is specifically on the impact on consumers so impacts solely on producers or workers is not relevant.</b></p> <p><b>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</b></p>

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**J205/02 Assessment Objective (AO) grid**

Question	AO1a	AO1b	AO2	AO3a	AO3b	Total	Quantitative skills
Questions 1–20	3	10	7			20	1
Q21 Marks:	AO1a	AO1b	AO2	AO3a	AO3b	Total	Quantitative skills
(a)			2			2	
(b)		2				2	
(c)	1		2	3		6	
(d) (i)	2					2	2
(ii)			2			2	
(iii)			1	2	3	6	
<b>Total:</b>	<b>3</b>	<b>2</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>20</b>	
Q22 Marks:	AO1a	AO1b	AO2	AO3a	AO3b	Total	Quantitative Skills
(a)			2			2	
(b)		2				2	
(c)	1		2	3		4	
(d)(i)	2					2	2
(ii)			2			2	
(iii)			1	2	3	6	

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<b>Total:</b>	<b>3</b>	<b>2</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>20</b>	
<b>Q23 Marks:</b>	<b>AO1a</b>	<b>AO1b</b>	<b>AO2</b>	<b>AO3a</b>	<b>AO3b</b>	<b>Total</b>	<b>Quantitative Skills</b>
<b>(a)</b>			2			2	
<b>(b)</b>			2			2	
<b>(c)</b>	1		2	3		6	
<b>(d)(i)</b>	2					2	2
<b>(ii)</b>		2				2	
<b>(iii)</b>			1	2	3	6	
<b>Total:</b>	3	2	7	5	3	20	
<b>Section B total:</b>	9	6	21	15	9	60	4
<b>Paper Total</b>							

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