

**OCR**

Oxford Cambridge and RSA

**day June 20XX – Morning/Afternoon****AS Level in Economics****H060/02 Macroeconomics****SAMPLE MARK SCHEME****Duration:** 1 hour 30 minutes**MAXIMUM MARK      60****This document consists of 32 pages**

**MARKING INSTRUCTIONS****PREPARATION FOR MARKING  
SCORIS**

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *scoris 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 scoris 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.**

**TRADITIONAL**

Before the Standardisation meeting you must mark at least 10 scripts from several centres. For this preliminary marking you should use **pencil** and follow the **mark scheme**. Bring these **marked scripts** to the meeting.

**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 scoris 50% and 100% (traditional 50% Batch 1 and 100% Batch 2) 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 scoris messaging system.

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5. Work crossed out:
- where a candidate crosses out an answer and provides an alternative response, the crossed out response is not marked and gains no marks
  - if a candidate crosses out an answer to a whole question and makes no second attempt, and if the inclusion of the answer does not cause a rubric infringement, the assessor should attempt to mark the crossed out answer and award marks appropriately.
6. Always check the 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.
7. There is a NR (No Response) option. Award NR (No Response)
- if there is nothing written at all in the answer space
  - OR if there is a comment which does not in any way relate to the question (e.g. 'can't do', 'don't know')
  - OR if there is a mark (e.g. a dash, a question mark) which isn't an attempt at the question.
- Note: Award 0 marks – for an attempt that earns no credit (including copying out the question).
8. The scoris **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 scoris 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
On the borderline of this level and the one below	At bottom 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)
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)
Consistently meets the criteria for this level	At top of level

11. Annotations

Annotation	Meaning

12. 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 C.

If a candidate has written two answers for Section 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.

**INSTRUCTIONS TO EXAMINERS:****A INDIVIDUAL ANSWERS**

- 1 The indicative content indicates the expected parameters for candidates' answers, but be prepared to recognise and credit unexpected approaches where they show relevance.
- 2 Using 'best-fit', decide first which set of BAND DESCRIPTORS best describes the overall quality of the answer. Once the band is located, adjust the mark concentrating on features of the answer which make it stronger or weaker following the guidelines for refinement.
  - **Highest mark:** If clear evidence of all the qualities in the band descriptors is shown, the HIGHEST Mark should be awarded.
  - **Lowest mark:** If the answer shows the candidate to be borderline (i.e. they have achieved all the qualities of the bands below and show limited evidence of meeting the criteria of the band in question) the LOWEST mark should be awarded.
  - **Middle mark:** This mark should be used for candidates who are secure in the band. They are not 'borderline' but they have only achieved some of the qualities in the band descriptors.
- 3 Be prepared to use the full range of marks. Do not reserve (e.g.) high Band 6 marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

**B TOTAL MARKS**

- 1 Transfer the mark awarded to the front of the script.
- 2 The maximum mark for the paper is **60**.
- 3 The quality of the extended response is assessed on this parts of the question paper which are identified with the use of an asterisk (\*). The assessment of this skill is embedded within each of the levels of response and it must be considered when determining the mark to be awarded within the appropriate level.

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## Levels of response – Level descriptors

	<b>Knowledge and understanding/ Application</b>	<b>Analysis</b>	<b>Evaluation</b>
<b>Strong</b>		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.
<b>Good</b>	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, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
<b>Reasonable</b>	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.
<b>Limited</b>	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

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	Key	Rationale	AO	Quantitative skills
1	D	<p><b>Rationale</b></p> <p><b>A</b> Capital expenditure.  <b>B</b> Capital expenditure.  <b>C</b> Capital expenditure.  <b>D</b> <b>Correct:</b> Salaries are current expenditure.</p>	AO2	
2	D	<p><b>Rationale</b></p> <p><b>A</b> Confuses this measure with GDP at purchasing power parity, which is a component of the HDI.  <b>B</b> Confuses real and nominal GDP.  <b>C</b> Confuses nominal GDP with GDP per capita.  <b>D</b> <b>Correct:</b> A decrease in unrecorded economic activity would imply nominal output has increased whereas there is simply an increase in the proportion of recorded economic activity.</p>	AO2	
3	B	<p><b>Rationale</b></p> <p><b>A</b> This would mean neither country having a comparative advantage in either good.  <b>B</b> <b>Correct:</b> It requires comparatively little labour to produce a unit of coffee.  <b>C</b> The missing figure has to show relatively few units of labour being used to produce a unit of coffee.  <b>D</b> The missing figure has to show relatively few units of labour being used to produce a unit of coffee.</p>	AO2	✓
4	D	<p><b>Rationale</b></p> <p><b>A</b> Injection.  <b>B</b> Injection.  <b>C</b> Injection.  <b>D</b> <b>Correct:</b> Leakage.</p>	AO1	

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	Key	Rationale	AO	Quantitative skills
5	D	<p><b>Rationale</b></p> <p><b>A</b> If government imports this will fall (ceteris paribus).  <b>B</b> May reduce both demand pull and cost push inflationary pressures.  <b>C</b> A rise in imports and falling exports will reduce domestic demand.  <b>D</b> <b>Correct:</b> When a currency appreciates, imports become cheaper.</p>	AO2	
6	D	<p><b>Rationale</b></p> <p><b>A</b> Could fall without becoming negative (also likely to be short run).  <b>B</b> Irrelevant  <b>C</b> Irrelevant  <b>D</b> <b>Correct:</b> This is the accepted definition of a recession.</p>	AO1	
7	D	<p><b>Rationale</b></p> <p><b>A</b> <math> -0.3  +  -0.4  = 0.7, 0.7 &lt; 1</math>  <b>B</b> <math> -0.3  +  -0.7  = 1, 1 = 1</math>  <b>C</b> <math> -0.7  +  -0.1  = 0.8, 0.8 &lt; 1</math>  <b>D</b> <b>Correct:</b> <math> -0.8  +  -0.3  = 1.1, 1.1 &gt; 1</math></p>	AO1	✓
8	C	<p><b>Rationale</b></p> <p><b>A</b> Represents an increase in AD and so would move production point from B to A.  <b>B</b> Represents an increase in AD and AS so would move production point from B to A and/or shift out PPF.  <b>C</b> <b>Correct:</b> A movement to a point further inside the PPF represents a fall in output.  <b>D</b> Shift inwards of the PPF rather than the production point.</p>	AO2	✓

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	Key	Rationale	AO	Quantitative skills
9	A	<p><b>Rationale</b></p> <p><b>A Correct:</b> Will occur  <b>B</b> Not necessarily occur  <b>C</b> Not necessarily occur  <b>D</b> Not necessarily occur</p>	AO1	
10	A	<p><b>Rationale</b></p> <p><b>A Correct:</b> demonstrates the correct relationship.  <b>B</b> Would be caused by a rise in the price level.  <b>C</b> Would be caused by a change in components of aggregate demand.  <b>D</b> Would be caused by a change in components of aggregate demand.</p>	AO1	
11	B	<p><b>Rationale</b></p> <p><b>A</b> This shows a decrease in supply and a decrease in demand for pounds sterling.  <b>B Correct:</b> A recession in the USA will reduce demand for UK exports and so the demand for pounds sterling. A consumer boom will increase demand for US imports and to purchase these the supply of pounds sterling will increase.  <b>C</b> This shows a decrease in supply and an increase in demand for pounds sterling.  <b>D</b> This shows an increase in supply but also an increase in demand for pounds sterling.</p>	AO3	✓
12	B	<p><b>Rationale</b></p> <p><b>A</b> A monetary policy measure  <b>B Correct:</b> Government spending is one of the two fiscal policy measures.  <b>C</b> A monetary policy measure.  <b>D</b> A monetary policy measure.</p>	AO1	

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	Key	Rationale	AO	Quantitative skills
13	B	<p><b>Rationale</b></p> <p><b>A</b> Although an increase in the interest rate should discourage consumer spending in Country A, a decrease in the interest rate in Country B should reduce the incentive to save.</p> <p><b>B <i>Correct:</i></b> A reduction in the interest rate in Country B should lead to increased consumer spending and a reduction in the interest rate should also be an incentive for firms to borrow and invest in their businesses.</p> <p><b>D</b> Although a reduction in the interest rate should lead to an increase in consumer spending in Country C, the increase in interest rate in Country D should encourage more foreigners to save in that country.</p> <p><b>C</b> Although Country C may have reduced their interest rate to make saving in their country less attractive for foreigners, an increase in the interest rate in Country D should actually lead to more demand for their currency, making their exports less competitive abroad.</p>	AO3	✓
14	B	<p><b>Rationale</b></p> <p><b>A</b> Tax does indeed rise as income rises but this does not define a progressive system.</p> <p><b>B <i>Correct:</i></b> The proportion of income taxed remains at ten per cent.</p> <p><b>C</b> It is indeed proportional in the 10–20,000 range but not thereafter.</p> <p><b>D</b> Regressive means a lower proportion of tax as income rises. Here it is higher.</p>	AO2	✓
15	D	<p><b>Rationale</b></p> <p><b>A</b> This would have been caused by a decline in aggregate demand.</p> <p><b>B</b> This arises when workers are in between jobs.</p> <p><b>C</b> This occurs when workers are unemployed at certain times of the year.</p> <p><b>D <i>Correct:</i></b> This is caused by a change in the technology used in the industry – a change in supply conditions.</p>	AO1	

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Question		Answer	Marks	Guidance	
16	(a)	<p>Accept any of the following:</p> <ul style="list-style-type: none"> <li>• stable low inflation rate</li> <li>• acceptable balance of payments position</li> <li>• a more equitable distribution of income and wealth</li> <li>• sustainable budget position</li> <li>• full employment/ low level of unemployment.</li> </ul>	<p><b>1</b></p> <p>(AO1 x 1)</p>	<p>One mark for stating an acceptable macroeconomic objective</p> <p>Accept variation of objectives e.g. 'reduce unemployment', 'achieve an inflation target', 'reduce the budget deficit' etc.</p>	
16	(b)	<p>A widening of the trade surplus is where the excess value of exports over imports increases (1 mark). In 2013, the fall in imports of 1.2% exceeded the fall in exports of 0.2% and so Germany's trade surplus has grown given it was starting from a position of trade surplus (1 mark).</p>	<p><b>2</b></p> <p>(AO2 x 2)</p>	<p>Up to two marks:</p> <p>One mark for an application of what is meant by a widening of the trade surplus.</p> <p>One mark for recognition that in 2013 import levels had fallen by 1.2% and export levels had fallen by just 0.2%.</p> <p>One mark for it has widened by one percentage point.</p> <p>There must be explicit numerical reference to the stimulus for the second mark.</p> <p><b>Maximum 2 marks</b></p>	
16	(c)	i	<p>Possible valid responses may include:</p> <ul style="list-style-type: none"> <li>• Germany and EU28 real GDP growth followed a similar trend</li> <li>• both experienced a decline in growth rates from 2007–2009</li> <li>• Germany had a stronger/greater/faster recovery in</li> </ul>	<p><b>2</b></p> <p>(AO2 x 2)</p>	<p>Up to two marks:</p> <p>Two points of comparison required.</p> <p>One mark for each point of comparison offered.</p> <p>Comparison must be explicit.</p> <p>Implied comparison through 'data commentary' should not be credited.</p>

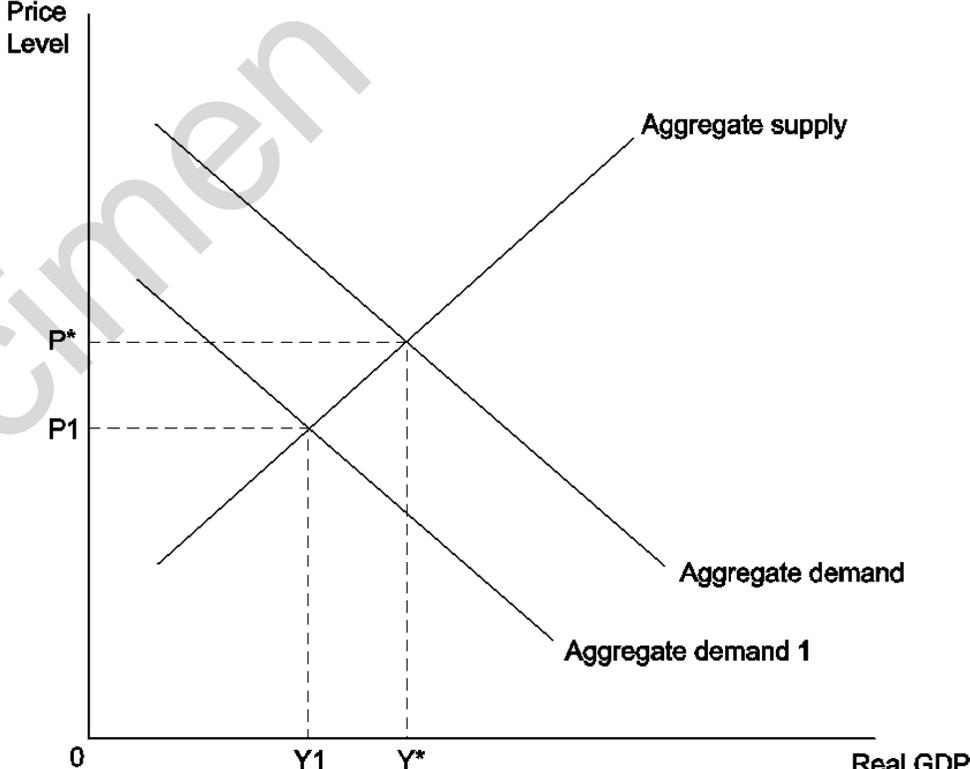
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Question			Answer	Marks	Guidance
			2009/10 compared to the EU28 <ul style="list-style-type: none"> <li>Germany's growth rate is greater than the EU28 from mid 2009–2013</li> <li>overall growth in Germany was greater than the growth of the EU28.</li> </ul>		
16	(c)	ii	Possible valid responses may include: <ul style="list-style-type: none"> <li>cuts in interest rates by the ECB</li> <li>an increase in income levels</li> <li>an increase in consumer confidence</li> <li>cuts to income tax rates</li> <li>a fall in German unemployment levels</li> <li>a positive increase in German net migration levels</li> <li>a depreciation of the Euro</li> <li>EU implements protectionist measures</li> <li>removal of trade barriers</li> <li>widening of trade surplus.</li> </ul>	<b>2</b> (AO1 x 2)	Up to two marks: One mark for stating each of two valid reasons for an <b>increase</b> in German real GDP growth.  Valid descriptor must be included for mark, e.g. change in interest rates/ change in income tax rates etc. must not be credited.
16	(d)	i	Inflation rate = $((105.9 - 104.5) \div 104.5) \times 100$ Inflation rate = $(1.4 \div 104.5) \times 100$ Inflation rate = $0.01339 \times 100$ Inflation rate = 1.34%	<b>2</b> (AO1 x 1 AO2 x 1)	Up to two marks: Two marks for correct answer 1.34%.  1 mark for no percentage sign.  Where candidates have used the correct formula OFR applies – maximum one mark.  Candidates do not have to show calculations to achieve full marks.
16	(d)	ii	Candidates are not required to have an in-depth knowledge of the CPI	<b>2</b>	Up to two marks: One mark for each of two valid limitations.

Question	Answer	Marks	Guidance
	<p>specifically. Any relevant indexed measure of inflation is suitable. Possible valid responses may include:</p> <ul style="list-style-type: none"> <li>• inaccurate for non–typical households</li> <li>• some goods and services are excluded e.g. house prices</li> <li>• it does not take into account the quality of goods and services</li> <li>• regional differences in price changes</li> <li>• changes in consumer preferences over a 12–month period</li> <li>• inaccurate weighting of items in the basket of goods.</li> <li>• bias that may understate/overstate the figure.</li> </ul>	<p>(AO1 x 2)</p>	<p>Maximum two marks.</p>

Question		Answer	Marks	Guidance
16	(e)	Accept real National Output instead of Real GDP. Other acceptable versions of the standard diagram should be accepted.	<b>4</b>  (AO1 x 2 AO2 x 2)	<p>Up to four marks: One mark for the correct labelling of the axes plus AD/AS. One mark for labelling the initial equilibrium points. One mark for a leftward shift in the AD curve. One mark for the new equilibrium points.</p>  <p>The diagram is a coordinate plane with 'Price Level' on the vertical axis and 'Real GDP' on the horizontal axis. The origin is marked '0'. An upward-sloping line is labeled 'Aggregate supply'. Two downward-sloping lines are shown: the original 'Aggregate demand' and a new 'Aggregate demand 1' shifted to the left. The initial equilibrium is at the intersection of the original AD and AS, corresponding to price level P1 and output Y1. The new equilibrium is at the intersection of AD1 and AS, corresponding to price level P* and output Y*.</p>

Question	Answer	Marks	Guidance
16 (f) *	<p><b>Level 3 (7–10 marks)</b>  <b>Good</b> knowledge and understanding of a tightening labour market in the context of inflationary pressure.</p> <p><b>Strong</b> analysis of how a tightening labour market is likely to create inflationary pressure in the German economy in 2014.</p> <p><b>Good to Strong</b> evaluation of the extent to which a tightening labour market is likely to create inflationary pressure in the German economy in 2014.            Good evaluation would be awarded in the lower portion of the band and strong evaluation in the upper portion of the band.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 2 (4–6 marks)</b>  <b>Good</b> knowledge and understanding of a tightening labour market in the context of inflationary pressure.</p> <p><b>Good</b> analysis of how a tightening labour market is likely to create inflationary pressure in the German economy in 2014.</p> <p><b>Reasonable</b> evaluation of whether a tightening labour market is likely to create inflationary pressure in the German economy in 2014.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and</i></p>	<p><b>10</b></p> <p>(AO2 x 1            AO3 x 4            AO4 x 5)</p>	<p>Evaluation of the extent to which Germany's tight labour market will be inflationary might include:</p> <ul style="list-style-type: none"> <li>• dependent upon the flexibility of the labour market and the strength of employment contracts</li> <li>• dependent upon the relative strength of the trade union movement</li> <li>• dependent on the amount of spare capacity prevalent in the German economy</li> <li>• dependent on whether the tightness of the labour market is regional, in which case the scale of the impact may be limited</li> <li>• dependent on whether the tightness in the labour market is confined to particular industries, in which case the scale of the impact may be limited</li> <li>• dependent on what is happening in the rest of the economy which may counteract the upward pressure on prices e.g. an increase in aggregate supply.</li> </ul> <p>Analysis of the reasons why a tight labour market will be inflationary might include:</p> <ul style="list-style-type: none"> <li>• indicative of rising levels of employment therefore disposable incomes rise. This causes consumption to increase which may result in demand pull inflationary pressures</li> </ul>

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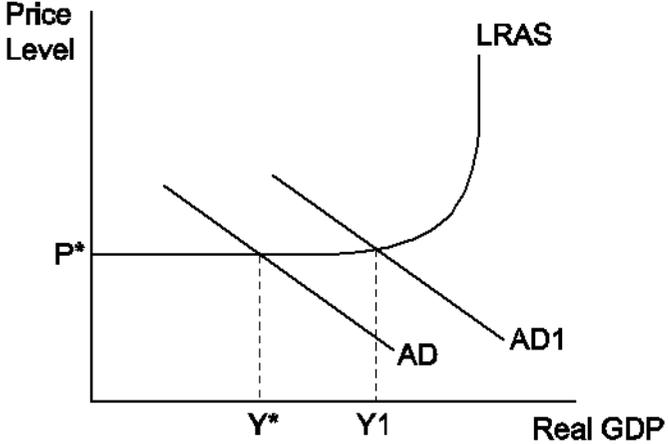
Question	Answer	Marks	Guidance
	<p><i>supported by some evidence.</i></p> <p><b>Level 1 (1–3 marks)</b>  <b>Reasonable</b> knowledge and understanding of inflationary pressures.</p> <p><b>Limited or no</b> analysis of how a tightening labour market is likely to create inflationary pressure in the German economy in 2014.</p> <p><b>Limited or no</b> evaluation.</p> <p><i>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.</i></p> <p><b>0 marks</b> – no response or no response worthy of credit.</p> <p><b>Note:</b> Although a diagram is <b>not</b> required, it may enhance the quality of the answer and should be rewarded at the appropriate level.</p>		<ul style="list-style-type: none"> <li>• scarcity of labour increases the bargaining power of labour, causing wage levels to rise resulting in a fall in SRAS. This will result in cost push inflationary pressure</li> <li>• shortages cause employers to hire less-qualified workers, lowering productivity levels and raising production costs, lowering SRAS levels and resulting in cost push inflationary pressure.</li> </ul> <p>Knowledge of how a tightening labour market will cause wage levels to rise which is likely to be inflationary.</p>

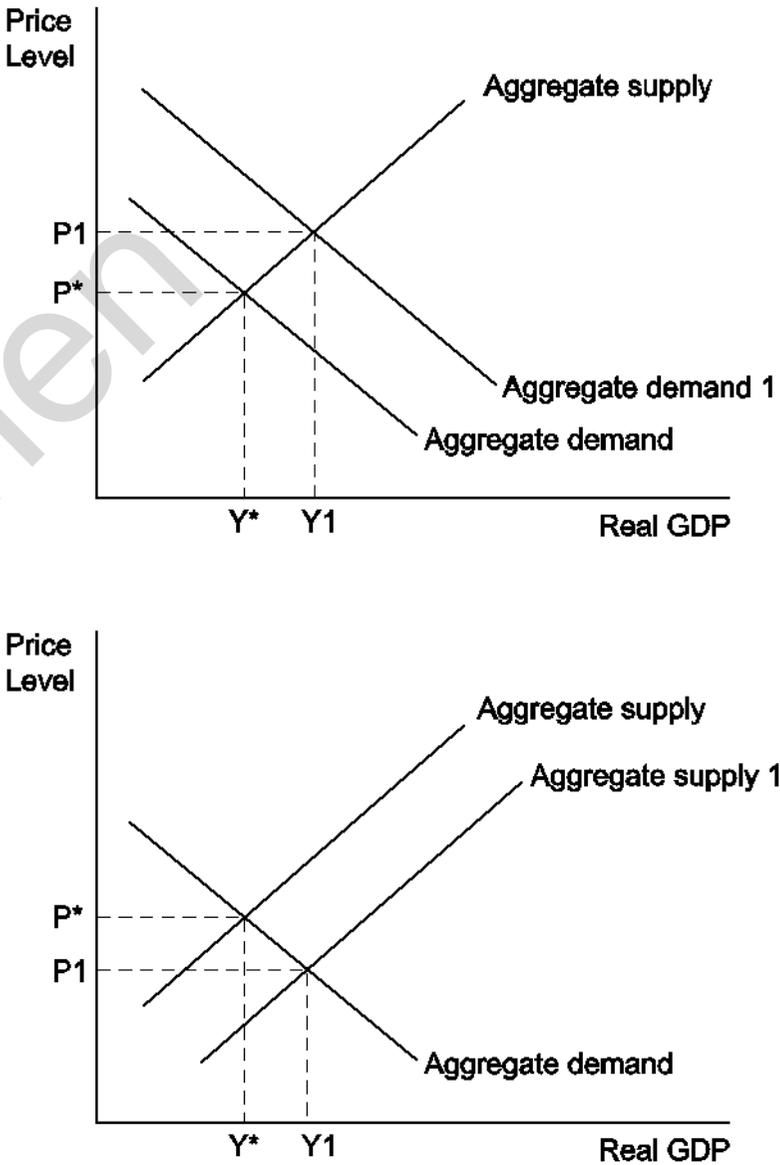
Question	Answer	Marks	Guidance
17 *	<p><b>Level 4 (16–20 marks)</b>  <b>Good</b> knowledge and understanding of the potential impact on the UK economy of an improvement in its international competitiveness.</p> <p><b>Strong</b> analysis of the potential impact on the UK economy of an improvement in its international competitiveness. A relevant and accurately labelled diagram is provided and is linked to the analysis.</p> <p><b>Strong</b> evaluation of the potential impact on the UK economy of an improvement in its international competitiveness.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 3 (11–15 marks)</b>  <b>Good</b> knowledge and understanding of the potential impact on the UK economy of an improvement in its international competitiveness.</p> <p><b>Good</b> analysis of the potential impact on the UK economy of an improvement in its international competitiveness. A relevant diagram is provided and is linked to the analysis.</p> <p><b>Good</b> evaluation of the potential impact on the UK economy of an improvement in its international competitiveness.</p>	<p><b>20</b></p> <p>(AO1 x 3  AO2 x 4  AO3 x 6  AO4 x 7)</p>	<p>This question requires an evaluation of the relative impact of an improvement in the UK's international competitiveness on the UK economy.</p> <p>Answers are likely to set out the impact of increased international competitiveness on key macroeconomic performance indicators and evaluate the extent to which an increase in international competitiveness will impact on these indicators.</p> <p>Answers should evaluate the extent to which an increase in international competitiveness will impact on the UK economy.</p> <p>Examples of possible evaluation may include:</p> <ul style="list-style-type: none"> <li>• dependent upon the relative competitiveness of the UK in comparison to its international competitors</li> <li>• dependent upon the size of the multiplier</li> <li>• dependent upon the extent to which the UK's international competitors employ protectionist measures</li> <li>• dependent upon the significance of net exports as a component of the UK's aggregate demand</li> <li>• dependent upon the extent to which UK exports are labour intensive vs capital intensive</li> <li>• dependent upon the amount of spare capacity held in the UK. If there is spare capacity any increase in</li> </ul>

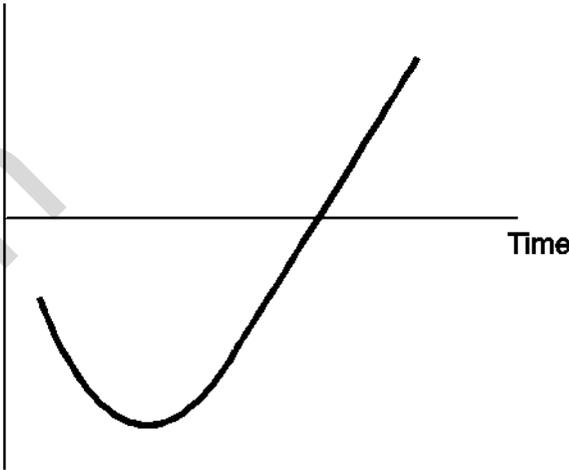
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Question	Answer	Marks	Guidance
	<p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 2 (6–10 marks)</b>  <b>Reasonable</b> knowledge and understanding of the potential impact on the UK economy of an improvement in its international competitiveness.</p> <p><b>Reasonable</b> analysis of the potential impact on the UK economy of an improvement in its international competitiveness. A relevant diagram is provided, which is less than perfect.</p> <p><b>Reasonable</b> evaluation of the potential impact on the UK economy of an improvement in its international competitiveness, but without a judgement being made.</p> <p><i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p><b>Level 1 (1–5 marks)</b>  <b>Limited</b> knowledge and understanding of international competitiveness.</p> <p><b>Limited or no</b> analysis of international competitiveness.</p> <p><b>Limited or no</b> evaluation.</p> <p><i>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.</i></p>		<p>aggregate demand may not be inflationary (supporting diagram below)</p> <ul style="list-style-type: none"> <li>any impact may be short lived if the £ were to appreciate</li> <li>dependent upon the extent to which J Curve and Marshall Lerner condition holds (supporting diagram below).</li> </ul> <p>Analysis will set out the impact of an increase in the UK's international competitiveness on the UK economy, most likely framed around the key macroeconomic performance indicators.</p> <p>The impact of an international competitiveness on macroeconomic variables will be analysed through shifts in either the aggregate demand or aggregate supply curves.</p> 

Question	Answer	Marks	Guidance
	<p><b>0 marks</b> –no response or no response worthy of credit.</p>		 <p>The top graph shows an aggregate supply curve and two aggregate demand curves. The initial equilibrium is at the intersection of the aggregate supply curve and the lower aggregate demand curve, corresponding to price level <math>P_1</math> and real GDP <math>Y_1</math>. A rightward shift in aggregate demand moves the equilibrium to the intersection of the aggregate supply curve and the upper aggregate demand curve, corresponding to price level <math>P^*</math> and real GDP <math>Y^*</math>.</p> <p>The bottom graph shows an aggregate supply curve and one aggregate demand curve. The initial equilibrium is at the intersection of the aggregate supply curve and the aggregate demand curve, corresponding to price level <math>P_1</math> and real GDP <math>Y_1</math>. A rightward shift in aggregate supply moves the equilibrium to the intersection of the lower aggregate supply curve and the aggregate demand curve, corresponding to price level <math>P^*</math> and real GDP <math>Y^*</math>.</p>

Question	Answer	Marks	Guidance
			<p data-bbox="1303 284 1415 386">Current Account Surplus</p>  <p data-bbox="1303 721 1415 823">Current Account Deficit</p> <p data-bbox="1944 561 2011 587">Time</p>

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Question	Answer	Marks	Guidance
			<p>Analysis will set out the impact of an increase in the UK's international competitiveness.</p> <p>This may include:</p> <ul style="list-style-type: none"> <li>• an increase in demand for UK goods and services will create additional demand for labour and reduce unemployment levels, increasing income levels and real GDP</li> <li>• an increase in FDI levels, increasing AD and real GDP</li> <li>• an increase in export levels/ reduction in the demand for imports from domestic consumers which improves the current account of the balance of payments position</li> <li>• an increase in export demand creates a positive multiplier effect, increasing domestic consumption levels, increasing aggregate demand levels and real GDP</li> <li>• an increase in demand for exports causes UK business profits to increase providing extra funds for capital investment/employment to increase, causing tax receipts to rise and improving the UK's budget position</li> <li>• an increase in FDI increases access to capital, increasing productivity and the UK's productive potential, reducing cost push inflationary pressures.</li> <li>• an increase in exports will increase aggregate demand</li> </ul>

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Question	Answer	Marks	Guidance
			<p>levels and create demand pull inflationary pressures.</p> <p>For an application of knowledge and understanding of the impact of an increase in the UK's international competitiveness on the UK economy. Answers should recognise an impact of greater international competitiveness on a macroeconomic performance indicator.</p> <p>Examples of may include:</p> <ul style="list-style-type: none"> <li>• an increase in GDP levels</li> <li>• an increase in employment</li> <li>• an increase in inflation</li> <li>• an improvement in the current account position</li> <li>• an improvement in the budget position</li> <li>• an increase in FDI levels.</li> </ul> <p>For an application of knowledge and understanding of what is meant by an increase in the UK's international competitiveness.</p> <p>Example response may include: international competitiveness is the degree to which a country can, under free market conditions, meet the test of international markets, while simultaneously maintaining and expanding real incomes.</p>

Question	Answer	Marks	Guidance
18 *	<p><b>Level 4 (15–20 marks)</b>  <b>Good</b> knowledge and understanding of employment subsidies and the provision of youth training schemes in the context of reducing the level of youth unemployment in the UK.</p> <p><b>Strong</b> analysis of employment subsidies and the provision of youth training schemes in the context of reducing the level of youth unemployment in the UK. A relevant and accurately labelled diagram is provided and is linked to the analysis.</p> <p><b>Strong</b> evaluation of whether employment subsidies or the provision of youth training schemes is likely to be more effective in reducing the level of youth unemployment in the UK.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 3 (11–15 marks)</b>  <b>Good</b> knowledge and understanding of employment subsidies and the provision of youth training schemes in the context of reducing the level of youth unemployment in the UK.</p> <p><b>Good</b> analysis of employment subsidies and the provision of youth training schemes in the context of reducing the level of youth unemployment in the UK. A relevant diagram is provided and is linked to the analysis.</p> <p><b>Good</b> evaluation of employment subsidies and the</p>	<p><b>20</b></p> <p>(AO1 x 3  AO2 x 4  AO3 x 6  AO4 x 7)</p>	<p>The question requires an evaluation of the effectiveness of an employment subsidy in reducing youth unemployment <b>and</b> evaluation of the effectiveness of youth training schemes in reducing youth unemployment.</p> <p>Answers are likely to set out how the subsidy and youth training schemes work in reducing youth unemployment, followed by a discussion about the effectiveness of these policies.</p> <p><b>Answers that refer to an employment subsidy only <u>OR</u> to youth training schemes only will be capped at the midpoint of the appropriate level.</b></p> <p>Answers should evaluate the relative effectiveness of the subsidy and youth training schemes as well as making valid comparisons regarding their overall effectiveness. These should culminate in a reasoned judgement as to their overall effectiveness:</p> <ul style="list-style-type: none"> <li>• the size of the subsidy offered may not be large enough to incentivise employers into hiring young workers</li> <li>• structural unemployment may persist as young workers may not have the required skills to be able to find employment</li> <li>• the subsidy will carry a significant opportunity cost which could have been used more effectively e.g. vocational training schemes</li> <li>• employers may become overly reliant on the scheme</li> </ul>

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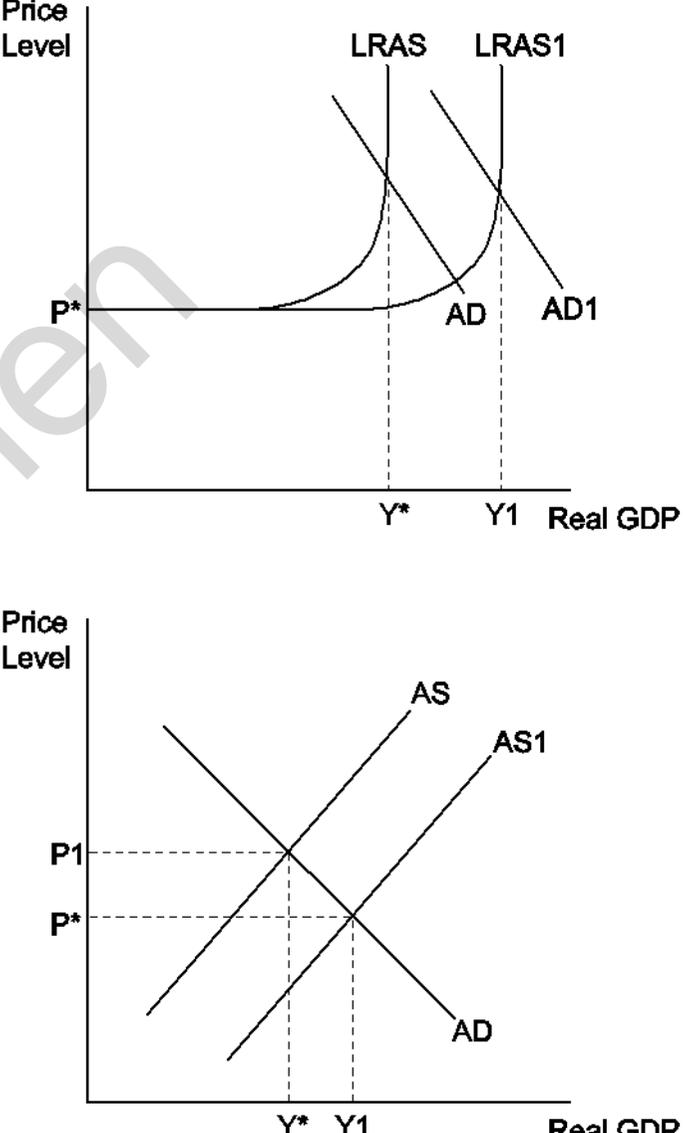
Question	Answer	Marks	Guidance
	<p>provision of youth training schemes in the context of reducing the level of youth unemployment in the UK.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 2 (6–10 marks)</b>  <b>Reasonable</b> knowledge and understanding of employment subsidies and the provision of youth training schemes in the context of reducing the level of youth unemployment in the UK.</p> <p><b>Reasonable</b> analysis of employment subsidies and the provision of youth training schemes in the context of reducing the level of youth unemployment in the UK. A relevant diagram is provided, which is less than perfect.</p> <p><b>Reasonable</b> evaluation of employment subsidies and the provision of youth training schemes in the context of reducing the level of youth unemployment in the UK, but without a judgement being made.</p> <p><i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p><b>Level 1 (1–5 marks)</b>  <b>Limited</b> knowledge and understanding of employment subsidies and youth training schemes.</p> <p><b>Limited or no</b> analysis of employment subsidies and youth training schemes.</p> <p><b>Limited or no</b> evaluation.</p>		<p>and may be reluctant to invest in their employees</p> <ul style="list-style-type: none"> <li>• youth training schemes may be subject to a significant time lag. Young people may not be able to gain employment in the short term</li> <li>• youth training schemes are likely to require significant government investment which carries an opportunity cost</li> <li>• the impact of any youth training schemes will depend upon the quality/relevance of the provision</li> <li>• labour productivity may not rise if there is a lack of access to capital</li> <li>• demand side factors may reduce overall demand for labour.</li> </ul> <p>Analysis of how the proposed employment subsidy <b>and</b> youth training schemes to reduce youth unemployment may include:</p> <ul style="list-style-type: none"> <li>• the employment subsidy will subsidise the cost of the employees' wage, increasing demand for labour and reducing youth unemployment rates</li> <li>• the employment subsidy is targeted meaning employers will only gain access to this subsidy if they employ workers aged 18–24 years old so youth unemployment will be directly reduced</li> <li>• the employment subsidy will provide employers with</li> </ul>

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Question	Answer	Marks	Guidance
	<p><i>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.</i></p> <p><b>0 marks</b> –no response or no response worthy of credit.</p>		<p>access to cheaper labour so may reduce overall wage rates across all employment groups, reducing real wage unemployment.</p> <ul style="list-style-type: none"> <li>• the employment subsidy could be targeted at specific geographical regions of the UK and so may help to reduce regional and seasonal unemployment</li> <li>• youth training schemes will provide young people with the relevant skills to undertake a variety of job roles increasing occupational mobility and reducing structural unemployment levels</li> <li>• youth training schemes will increase the productivity of young workers, reducing the average cost of this labour per unit, reducing unemployment levels.</li> </ul>

Question	Answer	Marks	Guidance
			 <p>The top graph is a Long-Run Aggregate Supply (LRAS) model. The vertical axis is labeled 'Price Level' and the horizontal axis is 'Real GDP'. It shows two vertical LRAS curves, LRAS and LRAS1, where LRAS1 is to the right of LRAS. Two downward-sloping Aggregate Demand (AD) curves, AD and AD1, are shown, with AD1 to the right of AD. The initial equilibrium is at the intersection of LRAS and AD, corresponding to price level <math>P^*</math> and output <math>Y^*</math>. The new equilibrium is at the intersection of LRAS1 and AD1, corresponding to a higher price level and output <math>Y_1</math>.</p> <p>The bottom graph is a Short-Run Aggregate Supply (AS) model. The vertical axis is 'Price Level' and the horizontal axis is 'Real GDP'. It shows two upward-sloping AS curves, AS and AS1, where AS1 is to the right of AS. A downward-sloping AD curve is shown. The initial equilibrium is at the intersection of AS and AD, corresponding to price level <math>P^*</math> and output <math>Y^*</math>. The new equilibrium is at the intersection of AS1 and AD, corresponding to a higher price level <math>P_1</math> and output <math>Y_1</math>.</p> <p>Knowledge and understanding of policy measures that may</p>

Question	Answer	Marks	Guidance
			<p>be used to reduce youth unemployment may include:</p> <ul style="list-style-type: none"><li>• employment subsidies mean it is cheaper to hire additional workers</li><li>• youth training schemes provide workers with skills</li><li>• youth training schemes increase labour productivity.</li></ul> <p>Candidates will demonstrate knowledge and understanding of policies that could be used to reduce youth unemployment but there will be no valid suggestion of their purpose.</p>

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<b>Assessment Objectives Grid</b>					
<b>Question</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>	<b>TOTAL</b>
<b>MCQ</b>	7	6	2		<b>15 (6)</b>
<b>16 (a)</b>	1				<b>1</b>
<b>(b)</b>		2			<b>2</b>
<b>(c) (i)</b>		2 (1)			<b>2 (1)</b>
<b>(c) (ii)</b>	2				<b>2</b>
<b>(d) (i)</b>	1	1 (1)			<b>2 (1)</b>
<b>(d) (ii)</b>	2				<b>2</b>
<b>(e)</b>	2 (2)	2 (2)			<b>4 (4)</b>
<b>(f)</b>		1	4 (2)	5 (2)	<b>10 (4)</b>
<b>17/18</b>	3	4 (2)	6 (3)	7 (3)	<b>20 (8)</b>
<b>TOTAL</b>	<b>18</b>	<b>18</b>	<b>12</b>	<b>12</b>	<b>60 (24)</b>

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