Mark Scheme (Pre-standardisation)

Summer 2016

Pearson Edexcel GCE
in Economics (6EC02)
Paper 01 Managing the Economy

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.

- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.

- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.

- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.

- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.

- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.

- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.

- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Indicative Content	Mark
1 (a) (i)	KAA 4 marks: • increase in wages/income (1) • adjusted for inflation (1) Up to 2 marks for any one accurate data reference from figure 1 (1 mark if partially correct)	**(4)**

Question Number	Indicative Content	Mark
1 (a) (ii)	KAA 8 marks: 1 mark for solely identifying a relevant point 1 mark for limited development of this up to 2 further marks for clear analysis of this point For example: • higher rates of inflation experienced during this period • high unemployment depressing wage growth • lack of demand in the economy, could be due to recession, welfare cuts, etc. • lack of business confidence • falling productivity • high levels of immigration depressing wages	**(8)**

Question Number	Indicative Content	Mark
1 (b)	KAA 8 Up to 4 marks for identification and explanation of each point. Award 2 points only. 1 mark for only an identification of a point, 2 marks for identification and very brief explanation, further 2 marks for analysis/development of the point. 2 marks for reference to data Maximum 6/8 if no data reference. For example: • Increased immigration means more people looking for work so likely to increase unemployment • Increased size of population means increase in supply of labour, thus reducing wage rate and increasing demand for labour so employment increases • 41% of people have immigrated for work so this likely to lead to an increase in employment Evaluation 4 marks (2+2 or 4): • growing UK economy can take on more labour without increasing unemployment rate • only 41% coming for work • 31% are for formal study so may only be short-term migrants • different sectors of the economy may be affected differently • UK unemployed may be unwilling or unskilled for jobs immigrants are taking on	**(12)**

Level	Mark	Descriptor
Level 3	9-12	2 convincing reasons with at least one evaluative point
Level 2	5-8	2 convincing reasons with no connections, or 1 convincing impact with some good analysis but no evaluative point; 1 or 2 less-convincing impacts with some evaluation
Level 1	1-4	Identification of relevant reasons with or without brief evaluative keywords

Question Number	Indicative Content	Mark
*1 (c) QWC i-iii	KAA 8 **Up to 4 marks for the diagram:** Diagram demonstrating leftward shift of AD if linked to higher imports: correct shifts in line **(1)**, lines labelled **(1)**, axes labelled **(1)**, equilibria labelled **(1)**. **Note** diagrams where a single line shift is shown and it is incorrect receive no marks, even if curves and axes are labelled correctly. If one line shift is correct and the other shift is wrong then award 2 marks assuming the rest of the diagram is labelled correctly. **Up to 4 marks for the analysis:** • Impact on price level (1) and real output (1) • $AD=C + I + G + (X-M)$ • widening deficit will mean (X-M) is a larger negative value and so therefore AD will be smaller • numerical example should gain credit • Reference to circular flow/multiplier effect causing impact across economy Evaluation 4 marks (2+2 or 4): • depends on other factors (e.g. consumption) • other factors may be more significant parts of aggregate demand • exports have increased • may be due to short-term shifts in exchange rates • magnitude • time lag • evaluation of multiplier in terms of size of it **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	**(12)**

Level	Mark	Descriptor
Level 3	9-12	1 convincing impact with AD/AS diagram, with at least one evaluative point
Level 2	5-8	1 convincing effect with evaluation but no/incorrect diagram, or 1 convincing impact with diagram but no evaluative point; less-convincing impact or diagram with some evaluation
Level 1	1-4	Identification of relevant impacts with or without brief evaluative keywords

Question Number	Answer	Mark
1 (d) (i)	Definition/explanation of balance of trade: e.g. difference between value/volume (1) of a country's imports & exports (1); value of exports minus value of imports of a country (2)

Lack of demand in the Eurozone economy leads onto lack of demand for UK exports (2) as large percentage of UK exports go to these countries (2) so negative impact on UK balance of trade/deficit increases (2)
(Max. 6 marks) | **(6)** |

Question Number	Indicative Content	Mark
1 (d) (ii)	KAA 8 marks:
1 mark for solely identifying a relevant point
1 mark for limited development of this
up to 2 further marks for clear analysis of this point

Award 2 reasons only. Do not double award.

For example:
• Increased demand for UK exports as they are now relatively less expensive for foreigners
• Reduced demand for UK imports as they are now relatively more expensive for UK citizens
• Increase in UK aggregate demand due to reduction in net exports
• Increase in imported inflation pushing up UK inflation rate
• Increased employment in the UK due to increased demand for domestic production and exports | **(8)** |

Question Number	Indicative content	Mark
*1 (e) QWC i-iii	Up to 6 marks • Identification of monetary, fiscal, or supply-side policy (maximum 2 marks) • Diagram showing AD shift and/or AS shift consistent with analysis; axes labelled (1), equilibria labelled (1), AD/AS lines labelled (1), correct shift (1). No marks for diagram if shift inconsistent with analysis. Explanation of how the policies might help increase employment 12 marks (3 x 4 marks or 2 x 6 marks); 1 mark for only an identification of a point, 2 marks for identification and very brief explanation, up to further 4 marks for analysis/development of the point • Investment in education to provide a more skilled workforce • Reduction in minimum wage to encourage more firms to increase employment levels • Reduction in unemployment & associated benefits to increase incentive to find work • Grants/tax breaks to firms to encourage increases in employment • Reduction in taxation to encourage firms to expand or set up in the UK, therefore increasing employment Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks) • Time lag (e.g. education takes a long time to have a significant impact on productivity levels) • Government budget deficit makes it difficult to make large-scale investments or offer significant grants/tax breaks • External factors beyond UK government's control, e.g. recession in Eurozone • Magnitude of policy change • Conflicts with other UK macroeconomic objectives	(30)

| | **Quality of written communications will be assessed in this question based on the candidate's ability:**
• To present an argument and conclude on the basis of that argument
• To organise information clearly and coherently
• To use economic vocabulary appropriately
• To use grammar, spelling and punctuation appropriately | |

Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing points with at least two evaluative points (an evaluation points is worth up to a maximum of 6 marks
Level 3	19-24	2 or 3 convincing points with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing points with no evaluative point; 1 or 2 less-convincing effects with some evaluation
Level 1	1-6	Identification of relevant points with or without brief evaluative keywords

Question Number	Answer	Mark
2 (a) (i)	2 marks: increase (1) in GDP taking inflation into account (1) Up to 2 marks for any one accurate data reference from figure 1	**(4)**

Question Number	Indicative Content	Mark
2 (a) (ii)	KAA 8	
	Up to 4 marks for identification and explanation of each point. Award 2 points only.	
	1 mark for only an identification of a point, 2 marks for identification and very brief explanation, further 2 marks for analysis/development of the point.	
	For example: - Composite measure: broader perspective on a country's standard of living, not solely monetary basis for comparison - Easy to compare countries by rank: can quickly see which countries are performing well and which aren't - Could be used to focus aid on countries most in need - Could be used as a measure of the success of different government's economic policies	
	Evaluation 4 marks (2+2 or 4): - Reliability of data: e.g. possibility of some countries deliberately producing misleading data; some countries lacking organised, independent statistics authority - Access to data for some countries: due to lack of availability of data, especially in less developed countries - Less up-to-date data: more data to collect and then collate, so this is much more time-consuming than one single piece of data such as GDP	
		(12)

Question Number	Indicative Content	Mark
*2 (a) (iii) **QWC i-iii**	KAA 8 marks: 2 marks for application from figure 2 (1 mark for partially correct reference) Award 2 measures only. Max. 6 marks; 1 mark for solely identifying a relevant point 1 mark for limited development of this up to 2 further marks for clear analysis of this point For example: - Higher government spending on benefits/social protection - Higher government spending on education/healthcare - Improved access to education/healthcare - Improved information/support for jobseekers - Reduction in regulation to promote business investment	**(8)**

Level	Mark	Descriptor
Level 3	9-12	2 convincing advantages with at least one evaluative point
Level 2	5-8	2 convincing advantages with no connections, or 1 convincing advantage with some good analysis but no evaluative point; 1 or 2 less-convincing advantages with some evaluation
Level 1	1-4	Identification of relevant advantages with or without brief evaluative keywords

Question Number	Answer	Mark
2 (b) (i)	2 marks: • Weights are attached to reflect relative importance of items KAA 4- 1 mark per point • Price survey • Expenditure and Food Survey • of approximately 7,000 households • Basket of goods • containing approximately 650 goods and services • Contents of the basket revised annually • Use of an index • Base year • Data is published monthly • Exclusion of most housing costs	**(6)**

Question Number	Indicative Content	Mark
2 (b) (ii)	KAA 8 marks: 1 mark for solely identifying a relevant point 1 mark for limited development of this up to 2 further marks for clear analysis of this point Award 2 reasons only. For example: • Inflation above target • Economy growing at 'unsustainable' level • Rapid wage growth • Lack of spare capacity in the economy • Other demand-pull factors • Other cost-push factors • Consumer/Business expectations of future price rises	**(8)**

Question Number	Indicative Content	Mark
2 (b) (iii)	KAA 8 marks Up to 4 marks for identification and explanation of each point. Award 2 points only. 1 mark for only an identification of a point, 2 marks for identification and very brief explanation, further 2 marks for analysis/development of the point. For example: • Expectation of falling prices in the future discourages purchases today • This is a cycle that it can be very hard for a country to get out of • May lead to increased unemployment • Increases real debt burden (could relate to consumers, business, or the government) Evaluation 4 marks (2+2 or 4): • Only 0.1% deflation • Deflation mainly caused by cost-push factors • Benefits of falling oil and commodity prices for the economy Quality of written communications will be assessed in this question based on the candidate's ability: • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	
		(12)

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Level 3	9-12	2 convincing reasons with at least one evaluative point
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Level 1	1-4	Identification of relevant reasons with or without brief evaluative keywords

Question Number	Indicative content	Mark
*2 (c) QWC i-iii	2 marks: Accurate reference to figure 3 Up to 4 marks: • Definition of Monetary Policy (maximum 2 marks) • Diagram showing AD shift and/or AS shift consistent with analysis; axes labelled (1), equilibria labelled (1), AD/AS lines labelled (1), correct shift (1). No marks for diagram if shift inconsistent with analysis. Explanation of how monetary policy has been responsible for controlling inflation in recent years 12 marks; 1 mark for only an identification of a point, 2 marks for identification and very brief explanation, up to further 4 marks for analysis/development of the point • Explanation of transmission mechanism- impact of changing interest rate on AD and therefore inflation • Quantitative easing/increasing money supply to further impact the inflation rate • Forward guidance? • Successfully kept inflation reasonably close to target (figure 3 could back this up) Evaluation 12 marks (2 x 6 marks or 3 x 4 marks or 6 + 4 + 2 marks) • Reluctance of banks to pass on changes in the base rate to their customers • Banks seeking to improve their capital ratios • Lack of confidence among consumers/businesses • Cost-push factors out of the Bank of England's control, e.g. oil prices **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	(30)

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