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**GCSE  
ECONOMICS  
8136/2**

**PAPER 2 – HOW THE ECONOMY WORKS**

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Mark scheme

SAM

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V1.0

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

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

Further copies of this mark scheme are available from [aqa.org.uk](http://aqa.org.uk)

## Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

### Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

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

### Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

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

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the assessment objectives and be careful not to over/under credit a particular skill. For example, in question 26 more weight should be given to AO3 than to AO2. This will be exemplified and reinforced as part of examiner training.

**Section A**

**KEY LIST**

All AO1

1 mark for each correct answer

<b>1</b>	<b>D</b>	<b>6</b>	<b>A</b>
<b>2</b>	<b>A</b>	<b>7</b>	<b>A</b>
<b>3</b>	<b>A</b>	<b>8</b>	<b>C</b>
<b>4</b>	<b>B</b>	<b>9</b>	<b>C</b>
<b>5</b>	<b>C</b>	<b>10</b>	<b>B</b>

<b>Qu</b>	<b>Part</b>	<b>Marking guidance</b>	<b>Total marks</b>
11		State <b>two</b> economic objectives of the UK government.	2
		<p>AO1</p> <p>1 mark for each valid objective (max 2)</p> <p>Answers must be related to whole UK economy and not individual markets.</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• Full employment/low unemployment</li> <li>• High rate of economic growth (allow variations on this including just 'economic growth')</li> <li>• Price stability</li> <li>• Stable balance on current account of balance of payments</li> <li>• Reducing inequality</li> <li>• Managing environmental change.</li> </ul>	
12		Explain why income tax in the UK is an example of progressive taxation.	2
		<p>AO1</p> <p>1 mark for recognising that those on higher incomes pay more tax/those on lower incomes pay less, plus</p> <p>1 mark for showing understanding that the tax rate changes with income</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• The rate of tax rises for those on higher incomes</li> <li>• The average rate of tax rises as incomes increase.</li> </ul>	

13		Explain <b>one</b> benefit of international trade for UK consumers.	2
		<p>AO1</p> <p>1 mark for identification of a correct benefit, plus 1 mark for showing understanding of why it would occur.</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• Lower priced goods likely to be available – from countries with lower costs (such as goods that cannot be easily produced in the UK).</li> <li>• Greater choice – can buy from more than one country increases choice on offer (may be goods that are not available in the home market).</li> <li>• Higher quality should be available as consumer has more choice from a variety of countries – some countries may be 'better' at making certain products.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	

14	1	Using <b>Figure 1</b> , calculate the unemployment rate to <b>two</b> decimal places. Show your working.	2
		<p>AO2</p> <p><math>1.7 + 31.3 = 33</math> (1 mark)  <math>(1.7 \text{ m} / 33.0 \text{ m}) * 100 = 5.15\%</math> (1 mark)</p> <p>Answer: 5.15%</p> <p>Award 2 marks for correct answer with no workings.</p> <p>Award 1 mark if:</p> <ul style="list-style-type: none"> <li>• Correct method with correct figures but wrong answer</li> <li>• Answer appears without % sign</li> <li>• Answer is not rounded to 2 decimal places.</li> </ul>	

14	2	Explain <b>one</b> benefit to the UK government of a lower unemployment rate.	2
		<p>AO1</p> <p>1 mark for identification of a correct benefit, plus 1 mark for showing understanding of why it would occur.</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"><li>• Tax revenue will be higher as more people will be in employment (and paying income tax and spending more leading to greater VAT receipts).</li><li>• Expenditure on welfare benefits is likely to be lower as fewer claiming benefits.</li><li>• Skills will not be lost due to workers not being economically inactive.</li><li>• Social problems are likely to be lower as a result of people's average standard of living being higher in work.</li></ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	

15	1	Using <b>Figure 2</b> , analyse the likely consequences of Henwoods moving their production to Bangladesh.	6															
<p>AO2=2, AO3 = 4</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Level</th> <th style="text-align: center;">Marks</th> <th style="text-align: left;">Description</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">5-6</td> <td>A full analysis of the economic evidence, a well-developed and logical chain of reasoning.</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">3-4</td> <td>An incomplete analysis of the economic evidence, starts to develop a chain of reasoning.  Good application of knowledge and understanding of concepts/issues mostly relevant to the context.</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">1-2</td> <td>Analysis of discrete points of the economic evidence with no chain of reasoning attempted.  Basic application of knowledge and understanding of concepts/issues with limited relevance to the context.</td> </tr> <tr> <td></td> <td style="text-align: center;">0</td> <td>Nothing written worthy of credit.</td> </tr> </tbody> </table>				Level	Marks	Description	3	5-6	A full analysis of the economic evidence, a well-developed and logical chain of reasoning.	2	3-4	An incomplete analysis of the economic evidence, starts to develop a chain of reasoning.  Good application of knowledge and understanding of concepts/issues mostly relevant to the context.	1	1-2	Analysis of discrete points of the economic evidence with no chain of reasoning attempted.  Basic application of knowledge and understanding of concepts/issues with limited relevance to the context.		0	Nothing written worthy of credit.
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<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Scope for recruiting plenty of labour given that the Bangladesh population is more than double the size of the UK population.</li> <li>• Growth over the recent ten years (2004-2014) is high compared to the UK which may indicate the economy is becoming more developed and may be easier to operate within.</li> <li>• Income per head is low compared to the UK which may make it harder to find skilled workers who have attended education to a higher level (which may be needed for the management of the enterprise).</li> <li>• Cost advantages (hourly wage rate of £0.42) gained by comparative saving in wage costs which would boost the profitability of the business.</li> <li>• A large population and sustained rapid economic growth may indicate a future market for sales.</li> <li>• Depending on where Henwoods sells their goods transport costs from Bangladesh could have an impact on potential profits.</li> <li>• As Henwoods is located in the UK it will gain the benefits of being able to sell in European markets without facing tariffs giving them a greater opportunity to make profits from the lower production costs in Bangladesh.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>																		

16		State <b>two</b> supply-side policies.	2
		<p>AO1</p> <p>1 mark for each valid policy (max 2)</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"><li>• Investment in education/training</li><li>• Lower direct taxes</li><li>• Lower taxes on business profits</li><li>• Trade union reform</li><li>• Privatisation</li><li>• Deregulation.</li></ul>	

17		Explain why a government budget deficit is likely to stimulate economic growth.	2
		<p>AO1</p> <p>1 mark for recognising that government spending in the economy will increase, plus 1 mark for showing understanding of a likely impact of that spending</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"><li>• Government spending will be greater than government revenue, the overspend can be used to invest in the economy, creating jobs.</li><li>• The increased government spending can be used to invest in infrastructure and transport leading to an increase in economic activity.</li></ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	



18		Explain <b>one</b> benefit of the UK developing free-trade agreements with non-EU countries.	2
		<p>AO1</p> <p>1 mark for identification of a correct reason, plus 1 mark for showing understanding of why this would be beneficial for the UK or other countries.</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• It would increase free trade flows and develop strong one-to-one trading partnerships which could improve the balance of payments.</li> <li>• It would eliminate barriers to trade which will encourage UK investment abroad which could make UK exports more competitive.</li> <li>• It would enable developing countries to grow their economies by having easier access to UK capital and markets, giving UK consumers more choice and lower priced goods.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive: other creditworthy responses should be awarded marks as appropriate.</p>	

19	1	Using <b>Figure 3</b> , calculate the GDP per capita for <b>2016</b> to the nearest pound (£). Show your working.	2
		<p>AO2</p> <p><math>450,000 \times 1.05 = 472,500</math> (1 mark)  <math>472,500/30 = 15,750</math> (1 mark) OFR</p> <p>Answer: £15,750</p> <p>Award 2 marks for correct answer with no working.</p> <p>Award 1 mark if:</p> <ul style="list-style-type: none"> <li>• Correct method with correct figures but wrong answer</li> <li>• Correct calculation of GDP per capita based on 2015 GDP (£15,000)</li> </ul>	

19	2	Explain why a rise in GDP will lead to a rise in the standard of living.	2
		<p>AO1</p> <p>1 mark for recognising that a rise in GDP will lead to a rise in consumption or employment, plus 1 mark for showing understanding of how this can result in a rise of living standards.</p> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• A rise in GDP would lead to a rise in consumption which will enable consumers to satisfy some of their wants and therefore increase their standard of living.</li> <li>• A rise in GDP would lead to a reduction in unemployment creating jobs which will provide consumers with increased income and purchasing power and therefore increase their standard of living.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	

20	1	Using <b>Figure 4</b> , explain the relationship between the Pound/Euro exchange rate and the UK's balance of trade with those countries using the Euro.	3										
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21		Using <b>Figure 5</b> , assess whether the impact of UK economic growth is always positive for individuals in the UK.	9															
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<p><b>Indicative content:</b></p> <p><b>Positive</b></p> <ul style="list-style-type: none"> <li>• GDP growth enables average incomes to increase and so average living standards will increase.</li> <li>• Individuals will be able to afford more consumer goods, which may also be more luxurious/sophisticated.</li> <li>• The HDI has risen since 1990 showing an increase in life expectancy and improvements in education standards.</li> <li>• Individuals with money to invest have more choice and opportunities to increase their wealth.</li> <li>• Economic growth will enable the use of modern technologies that could reduce pollution and carbon emissions, improving the</li> </ul>																		

	<p>health and well-being of individuals.</p> <p><b>Negative</b></p> <ul style="list-style-type: none"><li>• While average incomes and living standards increase, growth may worsen inequality, with the main beneficiaries being those that are already relatively rich.</li><li>• Growth may lead to depletion of resources such as non-renewables (oil, gas, coal).</li><li>• Increased production can lead to increased pollution causing health problems for individuals.</li><li>• The towns and cities that grow could become congested and make it harder for individuals to get around.</li><li>• Towns and cities that attract more residents from other parts of the UK and abroad will experience an increase in property prices so that some individuals have to move out of the popular areas.</li><li>• Regional disparity can occur as shown by the differences in life expectancy throughout the UK resulting in growing inequality, the difference between South East and Scotland being 3.3 years.</li></ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	
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**Section B**

22	1	Give a definition of demand-pull inflation.	2								
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23		Using <b>Figure 7</b> , calculate how much higher the average rate of CPI, between 2011 and 2015, was than the government target. Show your working.	3
		<p>AO2</p> <p><math>4.5+2.8+2.6+1.5 = 11.4</math> (1 mark)  <math>11.4/5 = 2.28</math> (1 mark) OFR  <math>2.28 - 2 = 0.28</math> or 0.28% (1 mark) OFR</p> <p>Answer: 0.28 or 0.28%</p> <p>Award 3 marks for correct answer with no working.</p> <p>Award 2 marks if:</p> <ul style="list-style-type: none"> <li>Correct method with correct figures but wrong answer</li> </ul>	

24	Using <b>Figure 6</b> , explain <b>two</b> ways that low interest rates have affected the level of consumer spending or business investment in the UK economy.	6										
	<p>AO2</p> <p>Apply the levels of response mark scheme to each effect – 3 marks maximum for each effect.</p> <table border="1" data-bbox="349 557 1254 822"> <thead> <tr> <th>Marks</th> <th>Levels of response mark scheme</th> </tr> </thead> <tbody> <tr> <td>3</td> <td>A full and precise explanation applying economic concepts and issues.</td> </tr> <tr> <td>2</td> <td>A partial explanation applying economic concepts and issues but lacking detail.</td> </tr> <tr> <td>1</td> <td>Fragmented points made.</td> </tr> <tr> <td>0</td> <td>Nothing written worthy of credit.</td> </tr> </tbody> </table> <p><b>Possible answers:</b></p> <ul style="list-style-type: none"> <li>• Low interest rates have made saving less attractive and so consumer spending becomes more attractive and the volume of spending increases</li> <li>• Low interest rates have made borrowing more affordable and so this has increased consumer spending</li> <li>• Low interest rates have made the cost of borrowing cheaper and so spending on business investment has increased</li> <li>• Low interest rates act as a disincentive for businesses to hold their profits in a savings account as the rate of return will be low, this has led businesses to reinvest profits or expand the business</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	Marks	Levels of response mark scheme	3	A full and precise explanation applying economic concepts and issues.	2	A partial explanation applying economic concepts and issues but lacking detail.	1	Fragmented points made.	0	Nothing written worthy of credit.	
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25		Using <b>Figure 6 and 7</b> , analyse the impact that an increase in interest rates would have on employment in the UK.	6															
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	0	Nothing written worthy of credit.																
		<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>As shown in the first graph there is a strong correlation between interest rates and consumer spending. If interest rates increase, consumers' real disposable income will decrease which will lead to a reduction in spending in the economy. Businesses will generate fewer sales and less revenue which will result in their having to take on fewer staff or lay off existing staff. This will lead to a decrease in employment.</li> <li>As shown in the second graph there is a strong correlation between interest rates and business investment. If interest rates increased business investment could decline as borrowing becomes more expensive. This will result in higher costs for businesses which will impact on their profits and growth potential. This will lead to fewer people being employed.</li> <li>International trade would be affected as higher interest rates will lead to an increase in the value of the pound. A stronger pound makes UK exports less competitive – reducing exports and increasing imports. This has the effect of reducing aggregate demand in the economy, leading to a fall in employment.</li> <li>Higher interest rates would lead to a contraction in spending and investment. This would directly impact employment as less spending/investment will lead to a fall in GDP which in turn will result in less employment.</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>																

26		<p>The government can use supply-side policies or direct government intervention to address regional inequalities in the UK. Which of these do you think would be most effective?</p> <p>Use <b>Figure 6 and 7</b> and your own economic knowledge to justify your view.</p>	15
AO2 = 5 , AO3 = 10			
Level	Marks	Description	
5	13-15	<p>A justified conclusion with sustained evaluation, which is coherent and relevant, with judgements fully supported by evidence.</p> <p>Analysis of a relevant selection of the economic evidence, with a well-developed logical chain of reasoning.</p> <p>Comprehensive application of knowledge and understanding of pertinent concepts/issues relevant to the context; effective use of specialist language maintained throughout.</p>	
4	10-12	<p>A partially justified conclusion with an evaluation, which is mostly coherent and relevant; judgements may not be fully supported by evidence.</p> <p>Analysis of a relevant selection of the economic evidence; a logical chain of reasoning is established but not fully developed.</p> <p>Strong application of knowledge and understanding of a broad range of concepts/issues relevant to the context; mostly effective use of specialist language throughout.</p>	
3	7-9	<p>A partially justified conclusion with an evaluation, but not integrated in a coherent way; judgements are not fully supported by evidence.</p> <p>Analysis of a relevant selection of the economic evidence and starts to develop a chain of reasoning.</p> <p>Good application of knowledge and understanding of a broad range of concepts/issues relevant to the context; consistent use of specialist language but not always effective.</p>	
2	4-6	<p>A basic conclusion is present based on simple evaluative judgements supported by little or no evidence.</p> <p>Analysis of a relevant selection of the economic evidence with no chain of reasoning attempted.</p> <p>Simple application of knowledge and understanding of a narrow range of concepts/issues relevant to the context; sporadic use of specialist language.</p>	
1	1-3	<p>Evaluative judgements are simple with no conclusion present.</p> <p>Analysis of a limited selection of the economic evidence with no chain of reasoning attempted; selection of evidence may lack relevance.</p> <p>Basic application of knowledge and understanding of concepts/issues with limited relevance to the context; uses non-specialist language.</p>	
	0	Nothing written worthy of credit.	



	<p><b>Issues for exploration may include:</b></p> <ul style="list-style-type: none"> <li>• Business investment – Should the government try to stimulate business investment by cutting business taxes for firms located in those areas, or would it be better to offer direct subsidies to encourage existing businesses to stay or to attract new businesses to the area?</li> <li>• Consumer spending – Should the government try to stimulate consumer spending through establishing a higher minimum/living wage in affected areas or would this be counter to increasing business investment, as businesses would now have higher costs.</li> <li>• Business start-ups – Should the government try to increase the number of new businesses starting up in affected areas through actions like encouraging entrepreneurial activity, removing red tape and barriers for business start-ups, and reforming employment laws? Or would offering grants to new businesses as well as subsidising some overheads be a more effective strategy?</li> <li>• The labour market – increased mobility of labour. The government could invest in transport infrastructure or subsidise transport and/or rented accommodation costs for workers who have to travel long distances to work in the area. To try and increase employment they could also increase incentives to firms taking on additional labour and/or offering apprenticeships.</li> <li>• Structural unemployment – supply-side policies are unlikely to be effective when a major industry has gone into decline. The resulting long term, structural employment can be counteracted most effectively by direct government intervention. This could be direct subsidies to affected businesses, or providing benefits to the unemployed, or nationalising the affected industries.</li> <li>• Interest rates – These are currently at a record low, and in the medium to long term are likely to go up. The data demonstrates the link between interest rates and business investment and consumer spending, implying that increases in the interest rate will have a detrimental effect on the level of economic activity. Will regional inequality increase as a consequence of this?</li> <li>• Supply-side policies are a long term strategy, whereas in the case of regional disparities immediate action is required.</li> <li>• Does government intervention simply result in a large public sector debt and prop up inefficient industries?</li> </ul> <p><b>Note:</b> This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</p>	
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