



General Certificate of Education

Economics 5141

ECN2: The National Economy

Mark Scheme

2008 examination - June series

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' 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 to download from the AQA Website: www.aqa.org.uk

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AQA Advanced Subsidiary Economics**June 2008****ECN2/1**

This component is an objective test for which the following list indicates the correct answers used in marking the candidates' responses.

KEY LIST

1.	D	9	C
2.	B	10.	D
3.	D	11.	B
4.	C	12.	C
5.	A	13.	B
6.	D	14.	D
7.	B	15.	B
8.	C		

Advanced Subsidiary Economics

June 2008

ECN2/2

Mark Scheme

General Instructions

Marks awarded to candidates should be in accordance with the following mark scheme and examiners should be prepared to use the full range of marks available. The mark scheme for most questions is flexible, permitting the candidate to score full marks in a variety of ways. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **MUST** be given. A perfect answer is not necessarily required for full marks. But conversely, if the candidate's answer does not deserve credit, then no marks should be given.

Occasionally, a candidate may respond to a question in a reasonable way, but the answer may not have been anticipated when the mark scheme was devised. In this situation, **OR WHENEVER YOU HAVE ANY DOUBT ABOUT THE INTERPRETATION OF THE MARK SCHEME**, you must in the first instance telephone your team leader to discuss how to proceed.

Two approaches have been used in the construction of the mark scheme for the data response questions:

- (i) **An 'issue' based approach.** The mark scheme for parts (a) and (b) of the data response questions adopts this approach. The mark scheme lists the marks that can be awarded for particular issues (and associated development) that the candidate might include in the answer. Marks awarded for development should take into account the Quality of Written Communication used by candidates as indicated on page 6 of this mark scheme.
- (ii) **A 'levels' approach.** This approach is used for marking part (c) of the questions. The mark scheme summarises the information required to answer the question, but without attaching marks to particular issues. Marks should be awarded according to whether the answer displays the skills indicated by the five Mark Band Descriptors or "Levels of Skill" included in the mark scheme. The Mark Band Descriptors are set out on page 5. When using a 'levels' mark scheme the marker **must** identify where a particular skill is being demonstrated. The **key** to be used to identify the skill is shown on page 6. The level chosen should be the one which **best fits** the answer provided by the candidate. It is **not** intended that the answer should satisfy every statement in the level description.

APPLYING THE 'LEVELS' MARK SCHEME

Levels of Response Mark Band Descriptors

In part (c) of the data response questions approximately half the marks are available to award to candidates who demonstrate that they can 'evaluate economic arguments and evidence, and make informed judgements'. It is not necessary that the candidate identifies a wide range of issues. As indicated below, the Quality of Written Communication used should be taken into account when awarding the marks.

Level 1

Few, if any, relevant issues are recognised. Economic concepts and principles are not adequately understood or applied to the question. No satisfactory analysis or evaluation. A poorly organised response which generally fails to answer the question. Descriptions and explanations lack clarity. Spelling, punctuation and grammar may be poor. There is little use of economic terminology.

0 to 3 marks

Mid-Point: 2 marks

Level 2

One or more relevant issues are recognised. An attempt is made to use basic economic concepts to answer the question but the candidate's explanation may become confused. There may be some attempt to present alternative points of view but any attempt at evaluation is superficial. The answer is likely to be poorly organised and is unlikely to have a clear structure. The candidate demonstrates some ability to spell commonly used words and to follow the standard conventions of punctuation and grammar. Some use of economic terminology is made but this is not always applied appropriately.

4 to 6 marks

Mid-Point: 5 marks

Level 3

Two or more relevant issues are recognised. The candidate has made a reasonable attempt to apply economic concepts and ideas. A satisfactory understanding of some basic economic concepts and theories is demonstrated. There will be some attempt to present alternative views and to evaluate the issues, arguments and/or data. There is some logic and coherence in the organisation of the answer. The candidate is generally able to spell commonly used words and usually follows the standard conventions of punctuation and grammar. Some descriptions and explanations are easy to understand but the answer may not be expressed clearly throughout. There is some evidence of the correct use of relevant economic terminology.

7 to 10 marks

Mid-Point: 9 marks

Level 4

Two or more relevant issues are identified. Good understanding of some basic economic concepts and models is demonstrated. The candidate is able to apply these concepts and models to help answer the question. An appreciation of alternative points of view is shown. Satisfactory use is made of evidence and/or theoretical analysis to evaluate the issues/arguments identified and to support conclusions. Spelling is generally accurate and the standard conventions of punctuation and grammar are usually followed. The answer is well organised. Descriptions and explanations are usually clearly expressed. Appropriate use is made of relevant economic terminology.

11 to 13 marks

Mid-Point: 12 marks

Level 5

Three or more relevant issues are identified. Good understanding of basic economic concepts and models is demonstrated throughout. The candidate is able to apply these concepts and models to help answer the question. Clear understanding of alternative points of view is shown. Good use is made of evidence and/or theoretical analysis to evaluate the issues/arguments identified and to support conclusions. Spelling is generally accurate and the standard conventions of punctuation and grammar are usually followed. The answer is well organised. Descriptions and explanations are clearly expressed. Appropriate use is made of relevant economic terminology.

14 to 15 marks

Mid-Point: 15 marks

THE KEY TO BE USED WHEN USING THE 'LEVELS' MARK SCHEME

- D** Where a particular economic term is correctly **DEFINED** in order to help the candidate to answer the question properly.
- I** Where a relevant **ISSUE** is raised by the candidate.
- K** Where the candidate demonstrates **KNOWLEDGE** of recent developments or features of the economy which help enhance the candidate's response to the question. This should also be used where the candidate quotes relevant examples.
- Ap** Where the candidate demonstrates the ability to **APPLY** knowledge and **CRITICAL UNDERSTANDING** to problems and issues.
- A** Where the candidate demonstrates the ability to **ANALYSE** the problem using appropriate economic ideas.
- E** Where the candidate **EVALUATES** and makes judgements about the significance of various issues and arguments.

QUALITY OF WRITTEN COMMUNICATION

The Mark Band Descriptors, which are used for assessing part (c) of the questions, incorporate statements which relate to the Quality of Written Communication used by the candidates.

However, it is also important to assess Quality of Written Communication **whenever** candidates produce answers using continuous prose. When applying an issue based mark scheme, examiners must take into account the following when deciding how many marks to award for development:

- (i) use of appropriate form and style of writing to organise relevant information clearly and coherently;
- (ii) use of specialist vocabulary, where appropriate;
- (iii) legibility of handwriting;
- (iv) accuracy of spelling, punctuation and grammar.

EITHER**Total for this question: 25 marks****1 AN AMERICAN DOWNTURN**

- 1 (a)** Using **Extract A**, identify **two** main features in US real GDP growth for the period 2003 to 2006. *(4 marks)*

Award up to 2 marks for each valid point made (one mark for identification and one mark for supporting reference(s) to the data). For example:

- the highest and lowest quarterly growth of GDP are to be found in 2003
- the third quarter of 2004, the first of 2005 and the last quarter of 2006 are examples of growth which is very near to the 4-year average given for 2003 to 2006, with the first quarter of 2003 and the last quarter of 2005, the furthest below the average.
- the best year for growth performance is 2003, 2005 the worst
- the whole period has positive growth, averaging 3.2% over the period
- 2003 and 2006 show a more fluctuating picture than 2004 and 2005
- summing the quarterly growth figures for each year shows quite similar annual growth performance across the four years
- all the years 2003 to 2006 see two quarterly growth figures above the average for that period
- the average quarterly growth per year is in the range of 3.7% in 2003 to 3.2% in 2005. For 2003, accept any figure between 3.5% and 3.9%. For 2005, accept any figure between 3.0% and 3.4%.

A maximum of **2 marks** may be awarded if there is no use of statistics to support the points made or if the candidate simply trawls through the data from year to year.

A maximum of **3 marks** may be awarded if there is evidence of an overview even though part of the answer gives the impression of a trawl.

MAXIMUM FOR PART (a): 4 MARKS

1(b) **Extract B** (lines 8-9) states that a 'weaker dollar would be of benefit to US exporters and to the US economy as a whole'.

Explain how a weaker dollar might benefit US exporters **and** the US economy.
(6 marks)

For candidates who:

define exports or exporters or exchange rate, or explain the term 'weaker dollar' (e.g. one \$ able to buy fewer units of another currency, or mention the reduced external purchasing power of the \$), or use the term depreciation **1 mark**

explain how a weaker dollar might help exporters, e.g. export prices will be lower for overseas consumers (1 mark), given that they can buy more dollars with one unit of their own currencies, so raising overseas demand for US exports (1 mark), increasing sales revenue (1 mark) which will enhance profits and finance future investment (1 mark) **up to 4 marks**

explain how a weaker dollar can benefit the US economy, e.g. increased export sales revenue (1 mark), initiating an (export-led) multiplier process (1 mark), generating more jobs beyond the export sector (1 mark), so creating higher incomes which should benefit GDP growth as AD rises (1 mark) **up to 4 marks**

For use of relevant and accurate diagrams (which are not a requirement for an award of full marks) up to 2 marks to be awarded within the 4 marks per explanation (1 mark for curves/axes labelling, 1 mark for information shown)

While reference to the data should be given credit, candidates who do not go beyond copying from the data should be awarded a maximum of **1 mark**.

Where a candidate only deals with one part of the question, award a maximum of **5 marks**.

MAXIMUM FOR PART (b): 6 MARKS

1(c) ‘...when the US sneezes, the world catches a cold’ (**Extract B**, line 5).

Using the data and your economic knowledge, evaluate the possible economic consequences for UK macroeconomic performance of a slowdown in the US economy. (15 marks)

The data offer some guidance as to what might be discussed. It is anticipated that candidates will be able to offer some analysis and evaluation around these points and any others which they feel are relevant to include.

Evaluation

Candidates will need to demonstrate that they are able to evaluate issues and arguments if they are to be awarded **more than 7 marks**.

Candidates who make a genuine attempt at evaluation should be well rewarded. In the context of this question they might *refer to the significance of the duration of the US downturn, its severity, the diversity of markets for UK exports, the extent to which the important EU market for UK goods is affected by the downturn, whether the domestic economy can compensate for any loss of trade with the US, the stage of the economic cycle in which the UK is at the time.*

Candidates should not be awarded above **Level 3** if evaluation does not go beyond the superficial. However, within this constraint, there is scope to reward the more implicit evaluation, i.e. where there is some evidence of judgements having been made by candidates as to what are relevant/irrelevant issues.

To gain **Level 4 or 5 (11 marks or more)**, there needs to be more explicit evaluation, perhaps along the lines suggested above, and clear evidence of critical/informed comment on issues raised, the ability to make judgements, and the ability to draw conclusions from the material presented.

Where there is no explicit reference to the data, award **a maximum of 12 marks**.

Issues and areas for discussion:

- a summary of, and general comment on, macroeconomic performance indicators
- components of aggregate demand
- economic growth
- inflation
- employment
- the balance of payments on current account
- the £ exchange rate
- downward multiplier effect
- the meaning of indicators of a slowdown in the US economy
- a consideration of the potential impact on services v manufacturing
- the duration and severity of any downturn
- economic conditions in the rest of the world, notably the remainder of the EU
- the ability of the UK economy to diversify into other export markets
- the impact of a US downturn on key UK markets such as the EU
- the condition of the UK domestic economy and the stage of the economic cycle it is experiencing

Also give credit for:

- references to the UK and/or other economies
- the use of diagrams
- the use of data
- an overview of the issues raised; a final judgement

USE THE LEVELS MARK SCHEME ON PAGES 5 AND 6

MAXIMUM FOR PART (c): 15 MARKS

OR

Total for this question: 25 marks

2 UK TRADE

2(a) Using **Extract C**, describe **two** main features of UK trade in goods and services for the period 2003 to 2006. *(4 marks)*

Award up to 2 marks for each valid point made (one mark for identification and one mark for supporting reference(s) to the data). For example:

- the balance of trade in goods and services shows an increasing annual deficit over the period
- both exports and imports of goods and services show increases in values from year to year
- the increases in the value of export of goods and services over the whole period fall short of the increases in the value of imports of goods and services (30%, 27%, 38% and 22% respectively)
- the trade in services is always in surplus
- the trade in goods is always in deficit
- the figures for goods are always higher than those for services

A maximum of **2 marks** may be awarded if there is no use of statistics to support the points made or if the candidate simply trawls through the data from year to year.

A maximum of **3 marks** may be awarded if there is evidence of an overview even though part of the answer gives the impression of a trawl.

MAXIMUM FOR PART (a): 4 MARKS

2(b) Extract D (lines 13-14) refers to the import of consumer durable goods 'in increasing quantities' into the UK economy.

Explain **two** reasons for this increase.

(6 marks)

For candidates who:

define imports and/or consumer durables (not an example as in the extract)

1 mark

explain two reasons for the increase in imports of consumer durables, e.g.

- a cut in interest rates (1 mark) causes consumer credit to become cheaper (1 mark), lowering monthly repayments on borrowed money including mortgages (1 mark), so bringing about a higher demand for those consumer durables which could not be purchased from current income (1 mark)
- higher average earnings
- a stronger pound
- the 'wealth effect' arising from higher house prices
- lower prices of imported goods, perhaps as a result of the impact of globalisation or new technology
- tax cuts causing disposable income to increase
- a much-diminished UK manufacturing sector makes increases in imports of manufactured goods virtually inevitable
- rising consumer confidence and hence a greater inclination to spend and consume
- greater price awareness through widespread use of the internet
- household decisions to reduce saving and increase consumption from a given income

1 mark for identification of a reason and up to 3 marks for explanation

For use of relevant and accurate diagrams (which are not a requirement for an award of full marks) up to 2 marks to be awarded within the 4 marks per explanation (1 mark for curves/axes labelling, 1 mark for information shown)

Where a candidate includes more than two reasons award marks to the two best explanations

While reference to the data should be given credit, candidates who do not go beyond copying from the data should be awarded a maximum of **1 mark**

MAXIMUM FOR PART (b): 6 MARKS

2(c) ‘...improvement in our external performance continues to be difficult to achieve’
(**Extract D**, line 21).

Using the data and your economic knowledge, evaluate the government policies which might improve the UK balance of trade in goods and services. (15 marks)

The data offer some guidance as to what might be discussed. It is anticipated that candidates will be able to offer some analysis and evaluation around these points and any others which they feel are relevant to include.

Evaluation

Candidates will need to demonstrate that they are able to evaluate issues and arguments if they are to be awarded **more than 7 marks**.

Candidates who make a genuine attempt at evaluation should be well rewarded. In the context of this question they might *discuss the distinction between measures which might cure the weakness and those which simply seek to control it, measures might only bring long-term answers rather than immediate relief, the fact that it is increasingly necessary, not just a matter of choice, to import some goods and services given changes in the UK economy, choice of measures might depend on an assessment of the severity and persistence of the problem, too much attention may be put on price competitiveness when non-price competitiveness may be the more crucial issue for some types of exports; there is perhaps a need to focus on improving the UK trade in goods so long as we continue to see a healthy trade in UK services.*

Candidates should not be awarded above **Level 3** if evaluation does not go beyond the superficial. However, within this constraint, there is scope to reward the more implicit evaluation, i.e. where there is some evidence of judgements having been made by candidates as to what are relevant/irrelevant issues.

To gain **Level 4 or 5 (11 marks or more)**, there needs to be more explicit evaluation, perhaps along the lines suggested above, and clear evidence of critical/informed comment on issues raised, the ability to make judgements, and the ability to draw conclusions from the material presented.

Where there is no explicit reference to the data, award a maximum of **12 marks**.

Issues and areas for discussion:

- the balance of trade
- the balance of trade in the context of the balance of payments on current account
- the meaning of ‘an improvement in the UK balance of trade in goods and services’
- supply-side reforms
- the significance of productivity
- the significance of flexible responses to rapidly changing world markets
- the UK record on inflation and current rate of inflation
- the £’s exchange rate
- protectionism
- use of monetary and fiscal policy to deflate aggregate demand
- policies to revive manufacturing
- policies to develop service exports further
- control measures versus measures seeking to cure the problem
- long-term solutions versus immediate relief

- the increasing absence of choice over whether consumers buy UK output or imported goods and services
- the degree of severity and persistence of the problem
- price competitiveness versus non-price competitiveness

Also give credit for:

- references to the UK and/or other economies
- the use of diagrams
- the use of data
- an overview of the issues raised; a final judgement

USE THE LEVELS MARK SCHEME ON PAGES 5 AND 6

MAXIMUM FOR PART (c): 15 MARKS