

# **Mark Scheme for June 2013**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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## Annotations

Annotation	Meaning
	Tick
	Cross
	Unclear
	Benefit of the doubt
	Effective evaluation
	Level one
	Level two
	Level three
	Level four
	Not answered question
	Own figure rule
	Indicates that the point has been noted, but no credit has been given.
	Too vague
	Omission mark

**Subject-specific Marking Instructions**

Some questions may have a 'Level of Response' mark scheme.

The following guidelines on the **quality of written communication** are embedded into the Levels of Response mark scheme used for part (d) of each question.

- Level 4:** Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the subject matter. There may be few, if any errors of spelling, punctuation and grammar.
- Level 3:** Relatively straight forward ideas have been expressed with some clarity and fluency. There may be some errors of spelling, punctuation and grammar, but these are unlikely to be obtrusive or obscure meaning.
- Level 2:** Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar, which may be noticeable and obtrusive.
- Level 1:** Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar, of which some may be noticeable and obtrusive.

Question			Answer	Marks	Guidance
1	(a)	(i)	Value Added Tax	1	For one mark, three words must be correct. Use a tick or cross
		(ii)	Indirect taxes	1	More than one circle = no marks. Use a tick or cross
1	(b)	(i)	The rate at which (1) the (general) price level rises (over time) (1). <b>Or</b> inflation is when the general price level rises (1), the rate is how fast it rises (1).	2	Two marks for correct explanation. Where there is recognition of prices rising, award one mark. One mark only for definition of inflation rather than <b>the rate of</b> inflation. Accept a fall in purchasing power of money/rise in cost of living for one mark. No marks for the price of a/one product rising Use ticks.
		(ii)	Using the consumer price index (1). Goods and services which families buy have their prices recorded over time (1).	2	One mark for naming CPI, also accept RPI as alternative. Shorthand (CPI/RPI acceptable). The second mark for any correct brief explanation such as the one given here.  Use ticks.

Question		Answer	Marks	Guidance	
				Content	Levels of response
1	(c)	<p>At Level 3 a candidate should give an analysis of the regressive nature of the tax rises and conclude that lower income groups will pay a greater % of their incomes, and (post tax) inequalities will widen. If this is analysed clearly then award six marks. E.g. this is a regressive measure. The tax will take a greater proportion of the lower income than the higher income. It will increase inequalities so the gap between rich and poor widens. Note: the issue of income distribution/wider inequalities must be addressed for Level 3.</p> <p>At Level 2 a candidate applies the tax change to different income groups. E.g. the tax is regressive which means it will hit the poor more than the rich.</p> <p>At Level 1 a candidate may simply state that the poor will pay more. Award definition marks. E.g. the poor will pay more and it will hit them harder</p>	6	<p>These are rises in regressive indirect taxes. The lower income groups will pay a greater % of their incomes than before in these taxes. (Those who do not drink or smoke will be less affected). (Post tax) incomes will be redistributed so the lower income groups will be hit the hardest as a % of their income. Inequalities of incomes will rise.</p>	<p><b>Level 3 (5–6 marks)</b> – candidate analyses how the rise in these taxes would affect income distribution</p> <p><b>Level 2 (3–4 marks)</b> – candidate applies knowledge of some effect on income distribution.</p> <p><b>Level 1 (1–2 marks)</b> – demonstrates knowledge of some effect on income distribution. Award definition marks at Level 1.</p> <p>Annotate level.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
1	(d)	<p>At Level 4 a candidate will consider both benefits and taxes and make a judgement based on the arguments presented. E.g. the progressive nature of income tax combined with the increase in benefits will succeed in reducing inequalities. However, higher income tax could act as a disincentive to work in various ways (as shown in content) and adversely affect economic growth. Also people may prefer to claim benefits than work if income tax reduces the difference between the reward from work and benefits.</p> <p>Level 3 requires analysis. E.g. progressive nature of income tax is explained; reason why higher income tax may act as a disincentive is explained; benefits are compared with minimum wage. Maximum of five marks for an analytical answer which considers only benefits or tax.</p> <p>Level 2 for some application of knowledge. E.g. higher income groups will pay more tax so inequalities are reduced; it is unfair to those who have worked hard to earn their incomes; but low income people may just live off benefits so not work.</p> <p>Level 1 for some knowledge shown. E.g. this will help poorer people because then the poor have more money to spend.</p>	8	<p>These measures will reduce inequalities of income. It can be argued that this is fairer, and poverty is reduced. A counter argument is that is not fair to those who have earned their higher incomes. There could be serious disincentive effects of both benefits and higher rates of income tax. Higher tax rates could encourage avoidance/evasion. Answers may give details of disincentive effects, e.g. to work at all, to gain promotion, to work in the UK, etc.</p>	<p><b>Level 4 (7–8 marks)</b> – candidate evaluates the impact on the economy of redistribution policies and draws conclusions based on the analysis.</p> <p><b>Level 3 (5–6 marks)</b> – candidate analyses the effects of redistribution.</p> <p><b>Level 2 (3–4 marks)</b> – candidate understands some effects of redistribution in the context.</p> <p><b>Level 1 (1–2 marks)</b> – candidate shows understanding of the effect of redistribution. Award definition marks at L1.</p> <p>Annotate level and EE where present.</p>

Question		Answer	Marks	Guidance
2	(a)	2008 6 quarters	2	One mark for each correct identification, up to a maximum of two identifications. More than one circle = no marks. More than one circle = no marks.  Use ticks or crosses

Question		Answer	Marks	Guidance	
				Content	Levels of response
2	(b)	<p>At Level 2, 'how successful' is clearly addressed, with use of Fig. 2 to justify the answer. The growth objective was not successful throughout the period with a deep recession. However, there were more quarters of positive growth than negative growth.</p> <p>At Level 1 answer may point out that some specified quarters saw growth while others did not. Award Level 1 only for a 'trawl through the data'.</p>	4	<p>Success early in the period followed in 2008 by a long (6 quarters) and deep recession; with positive growth again in 2010.</p> <p>Taking the period as a whole, early growth of around 3%pa not maintained and long deep recession means UK was not very successful. There were 7 quarters of negative growth.</p> <p>Accept correct growth rate figures even though it is not stated whether they are quarterly or annual rates.</p>	<p><b>Level 2 (3–4 marks)</b> – candidate makes a supported valid conclusion, based on preceding description.</p> <p><b>Level 1 (1–2 marks)</b> – Candidate describes growth patterns. L1 award a mark for definition of growth.</p> <p>Annotate level.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
2	(c)	<p>For Level 3, some analysis is required, eg as shown in guidance content. Both spending and tax must be considered for six marks. E.g. the government would have to spend more, such as benefits for unemployed and training schemes. It would receive less income tax as less people are working, and less corporation tax as profits fall.</p> <p>For Level 2, explains how recession affects spending/tax changes e.g. as shown in guidance content. E.g. the government would have to spend more on benefits for the unemployed. It would get less taxes from those who lose their jobs.</p> <p>Level 1 shows knowledge that spending would rise and/or that tax revenues would fall. E.g. the government would have to spend more and it would get less in taxes</p>	6	<p>Government spending would rise and tax revenue would fall.(Level 1) More unemployment means more spending on the unemployed. More unemployment means less people can pay taxes.(Level 2) Fewer employed means less income tax and NICs revenue; also less spending leads to lower indirect tax revenues; less profits mean less corporation tax. More spending is required on JSA, training courses, aid to industry, etc. (Level 3)</p> <p>NB Some candidates answer in terms of how the government might react in a situation of negative growth by operating a budget deficit. Allow up to two marks for budget deficit, lowering taxes, increasing spending and two further marks for explanation, so maximum four marks for this type of answer.</p>	<p><b>Level 3 (5–6 marks)</b> – candidate analyses the effects on government spending and tax revenues</p> <p><b>Level 2 (3–4 marks)</b> – applies some knowledge of the effects on government spending and tax revenues.</p> <p><b>Level1 (1–2 marks)</b> – demonstrates some knowledge of the effects on government spending and tax revenues.</p> <p>Annotate level.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
2	(d)	<p>Investment (L1) increases the stock of capital (L2) which means the capacity to produce is increased (L3) it could lead to greater productivity also, so the economy becomes more competitive (L4).</p> <p>Government could use fiscal policy via budgeting for a deficit (L1). It could reduce taxes and increase spending (L2) which will raise demand and encourage growth / lead to a multiplier effect (L3). If the extra money was spent abroad on imports then the policy would not work (L4), or the policy could be inflationary (L4).</p> <p>Workers may be trained to become more skilled (L1). This makes them more productive (L2) They produce more/better products helping growth (L3). This however would take years to have an effect on growth (L4).</p>	8	<p>L1 mark for identification of causes, e.g. more investment, change of technology, more workers, training of workers, exploitation of natural resources, government policies, demand led growth.</p> <p>Level 2 mark for applying to growth. (Accept monetary policy for Level 1, lower rates of interest for Level 2).</p> <p>Level 3 mark for analysis of how the cause relates to growth.</p> <p>Level 4 mark for evaluation of cause. Examples in answer column. Accept positive and negative evaluative points e.g. fiscal policy includes possible time lags. Accept increased competitiveness as an evaluative comment where relevant.</p> <p>Accept relevant comment on which cause is the most important as Level 4.</p> <p>Accept monetary policy for Level 1, lower rates of interest for Level 2.</p>	<p><b>Level 4 (7–8 marks)</b> – candidate evaluates the causes and draws conclusions based on the analysis.</p> <p><b>Level 3 (5–6 marks)</b> – candidate analyses the causes</p> <p><b>Level 2 (3–4 marks)</b> – applies knowledge of the causes</p> <p><b>Level 1 (1–2 marks)</b> – demonstrates some knowledge of the causes of growth. Award definition marks at Level 1.</p> <p>Annotate level and EE where present.</p>

Question			Answer	Marks	Guidance
3	(a)	(i)	North East South East	2	One mark for each identification, up to a maximum of two identifications. Use ticks or crosses.
		(ii)	London has a higher rate/East has a lower rate (1) London has 9.5% and East has 6.5% or there is a difference of 3% (1)  Accept 9% and 6% or similar.	2	One mark for e.g. higher in London/lower in East One mark for using the data e.g. for stating the unemployment rates or the difference between them. Use ticks.
3	(b)		Claimant count Labour force survey.	2	One mark for each identification, up to a maximum of two identifications.  Use ticks or crosses.  If more than two ticks, accept first two.
3	(c)		Cyclical unemployment is caused by a lack of demand (1). It is found in times of recession (1). If there is not much demand, less workers are needed to produce and are laid off (1). They in turn spend less and the cycle continues (1).  Voluntary unemployment is caused by people choosing not to work (1). If benefits are too high (1) people may choose to live off benefits/ benefits reduce their incentive to work (1) especially if income taxes make take home pay too small (1).	6	Up to three marks for each of the responses. The explanation opposite as an example shows four marks, only three are required. Reward references to trade cycle/reverse multiplier.  The explanation opposite as an example shows four marks, only three are required. Reward references to incentives.  Use ticks.

Question		Answer	Marks	Guidance	
				Content	Levels of response
3	(d)	<p>Level 4 must have an evaluative comment. E.g. high inflation makes an economy uncompetitive, and so causes unemployment anyway as well as the other problems. E.g. hyperinflation could make the whole currency and economy collapse so is worse than unemployment. E.g. unemployment ruins people's lives and causes social unrest so is worse than inflation. E.g. it depends upon just how high the relative rates of inflation and unemployment are.</p> <p>Level 3: for an analysis of the problems caused by high unemployment and inflation rates. Candidate explains how some of these problems (content) are caused. E.g. Unemployment causes problems for those who lose their jobs as their standard of living falls. It costs the government in extra benefits. Inflation causes hardship for people on low fixed incomes. If prices rise and people buy less, this can mean that unemployment rises further. High inflation puts prices up and less goods are bought. UK becomes less competitive, so the balance of payments goes into deficit.</p> <p>Level 2 for some application of problems caused by high unemployment and inflation rates. E.g. Unemployment costs the government a lot in benefits. Inflation puts prices up and makes it more difficult for poorer people to afford goods, causes hardship.</p> <p>Level 1 for some knowledge of problems caused by unemployment or inflation, also definition of unemployment. E.g. Unemployment means people have to live off benefits and cannot afford to buy much.</p>	8	<p>Problems of unemployment include wasted labour resources/less growth, lower living standards, excluded workers, greater taxpayer/government burden, budget deficit, regional and social problems.</p> <p>Problems of inflation include menu costs, shoe leather costs, arbitrary income redistribution/hardship, BofP problems, unemployment, a wage-price spiral, hyperinflationary danger.</p>	<p><b>Level 4 (7–8 marks)</b> – candidate evaluates the problems of unemployment and inflation and draws conclusions based on the analysis.</p> <p><b>Level 3 (5–6 marks)</b> – candidate analyses the problems of unemployment and inflation.</p> <p><b>Level 2 (3–4 marks)</b> – applies knowledge of the problems of unemployment and inflation.</p> <p><b>Level 1 (1–2 marks)</b> – demonstrates some knowledge of the problems of unemployment or inflation. Award definition marks at L1.</p> <p>For Levels 1 to 3, award the lower mark if only unemployment or inflation has been considered.</p> <p>Annotate level and EE where present.</p>

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