

Economics

Advanced GCE A2 H461

Advanced Subsidiary GCE AS H061

Mark Schemes for the Units

January 2009

H061/H461/MS/R/09J

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F581 Markets in Action

Subject-specific Instructions

- 1 The paper is to be marked to AS standard.
- 2 Marking should be positive: marks should not be subtracted for errors or inaccuracies.
- 3 In assessing quantitative answers, the 'own figure rule' (OFR) must be applied, ie a candidate must be given credit for calculations which, though wrong, are consistent with an earlier error.
- 4 The Mark Scheme refers to possible issues/content that candidates might use. These suggestions are neither exhaustive nor necessarily required.

A set number of marks for written communication is not a requirement. However, where a level of response mark scheme is used, the following general criteria for assessing the quality of written communication will apply. This criteria is integrated within the more specific levels of response shown in the individual mark schemes for each appropriate question.

Level 4

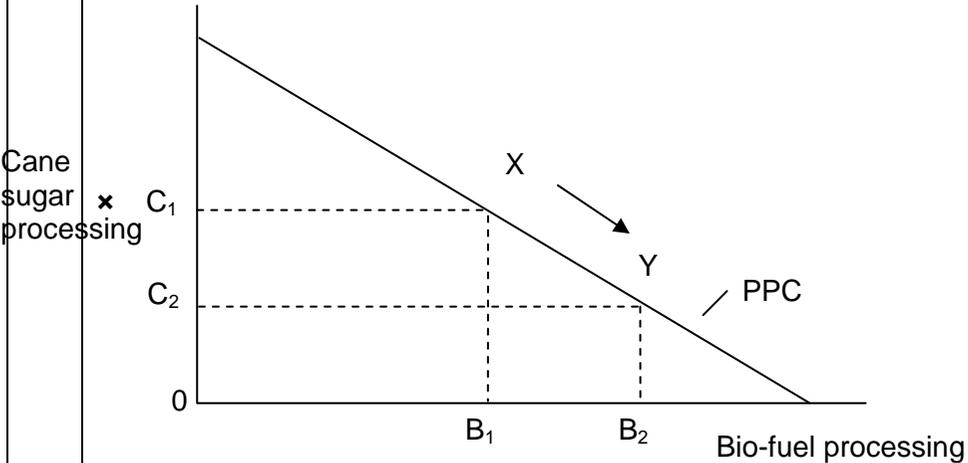
Complex ideas have been expressed clearly and fluently, using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using specialist technical terminology where appropriate. There may be few, if any, errors of spelling, punctuation and grammar.

Levels 2 and 3

Relatively straightforward ideas have been expressed clearly and quite fluently, using an appropriate style of writing. Arguments are generally relevant, though may occasionally stray from the point and are broadly logical and coherent. There will be some errors of spelling, punctuation and grammar, but these will not be intrusive or totally obscure the meaning.

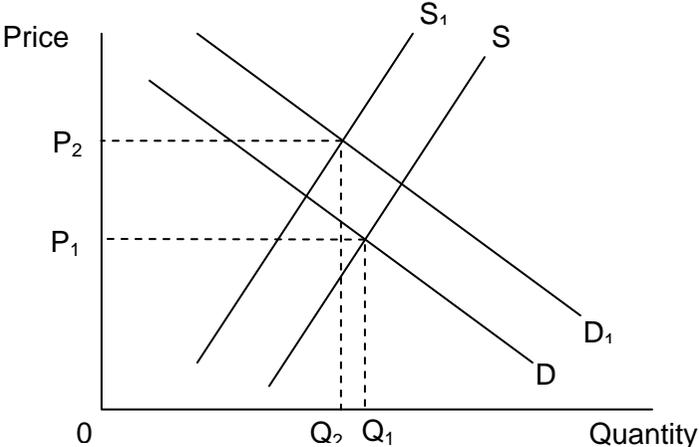
Level 1

Simple ideas have been expressed, generally in a style lacking clarity and fluency. Arguments will have limited coherence and structure, often being of doubtful relevance to the main focus of the question. There are errors of spelling, punctuation and grammar, which will be noticeable and intrusive. Writing may lack legibility.

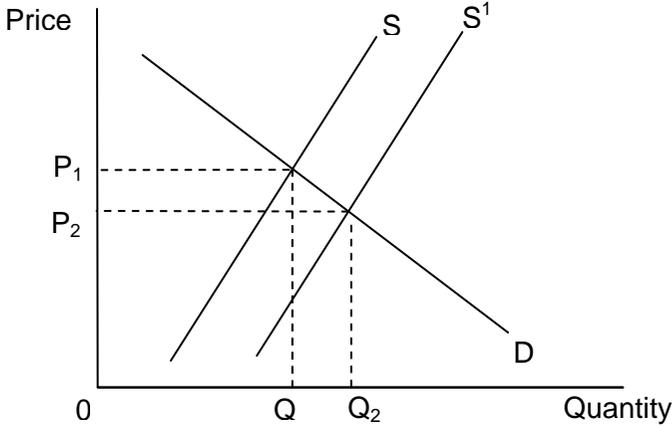
Question	Expected Answer	Mark	Rationale
1	<p>Identify <u>two</u> factors of production which might be used in the processing of Caribbean sugar cane.</p> <p>One mark each for identification of any two out of:</p> <ul style="list-style-type: none"> • land; • labour; • capital. 	[2]	<p>Basic knowledge. Recognition only is required.</p> <p>Enterprise is not acceptable as there is no reference to it in the case study.</p>
2	<p>(a) Define the term ‘opportunity cost’.</p> <p>Award 1 mark for each of the two components in the definition: cost/(next) best alternative (1) foregone/lost (1) i.e. ‘benefit lost’</p>	[2]	<p>Standard definition. Follow previous practice of awarding a mark for each aspect of the definition.</p> <p>Best alternative is equally acceptable for the first mark.</p>
	<p>(b) Using a production possibility curve diagram, explain how knowledge of opportunity cost can be used to explain the choices facing Caribbean sugar cane processors.</p> 	[6]	

Question	Expected Answer	Mark	Rationale
2 cont	<p data-bbox="237 233 300 268">(b)</p> <p data-bbox="315 233 1339 268">Award up to 4 marks for a correct diagram – 1 mark for each of:</p> <ul data-bbox="315 272 1339 480" style="list-style-type: none"> <li data-bbox="315 272 1339 308">• labelling axes (in context – must be sugar/biofuels related) <li data-bbox="315 312 1339 347">• straight line or curved PPC <li data-bbox="315 352 1339 416">• some indication of alternative points of production on PPC (must be at least 2 points) <li data-bbox="315 421 1339 480">• change in production possibilities, ie more bio-fuel production, less cane sugar processing. <p data-bbox="315 517 1339 644">Award up to 2 marks for an explanation of how opportunity cost can be used to explain the choices facing Caribbean sugar processors. Give 1 mark for an understanding of choice; 2 marks where this includes some reference back to the diagram.</p> <p data-bbox="315 649 1339 684">(see appendix a)</p>		<p data-bbox="1464 233 2054 368">Two parts to this question. If axes are wrongly labelled as price/quantity or not labelled no marks to be awarded at all for diagram.</p> <p data-bbox="1464 405 2054 469">If axes relate to two other goods, not in context, remaining 3 marks are available</p> <p data-bbox="1464 505 2054 601">Change on respective axis must be evidenced for fourth mark e.g. arrow/c1 to c2 etc.</p> <p data-bbox="1464 638 2054 673">Explanation must be applied to gain marks.</p>

Question	Expected Answer	Mark	Rationale
3	Using information from the case study:		
	<p>(a) state and explain <u>two</u> reasons for the increased global demand for food products:</p> <p>The extract gives three reasons:</p> <ul style="list-style-type: none"> • an increase in the world's population • growing affluence/income of people in China and India • a positive change in taste towards demanding more meat. <p>Award 1 mark for recognition plus 1 further mark where there is a specific explanation as to how this determinant has resulted in an increased global demand for food (x2)</p>	[4]	The stem requires an answer that draws on the case study - no other reasons therefore should be credited. Explanation should be in terms of why the reason has increased the global demand for food products.
	<p>(b) state and explain <u>two</u> reasons for the fall in the global supply of food products.</p> <p>The extract gives five reasons:</p> <ul style="list-style-type: none"> • the EU has exhausted its stored supply of food products • world grain stocks are at their lowest level • the EU's agricultural reforms have resulted in a fall in supply • more cereal crops are being used to produce bio-fuels/ animal feed. • farmers are switching to tourism <p>Award 1 mark for recognition plus 1 further mark where there is a specific explanation as to how this determinant has resulted in reduced global supply (x2)</p>	[4]	Do not accept excess demand/shortage of supply as a stand alone reason because it is an explanation of bullet points 1 and 2. Must have supply in explanation.

Question	Expected Answer	Mark	Rationale
<p>4</p>	<p>Using a demand and supply diagram, comment on the extent to which changes in the global demand and supply of food may have affected the market equilibrium.</p>  <p>Award up to 4 marks for a correctly drawn diagram. 1 mark for each of:</p> <ul style="list-style-type: none"> • initial equilibrium • shift to right of D • shift to left of S • new equilibrium. <p>If full marks have not been awarded for the diagram, up to 2 additional marks up to a maximum of 4 can be awarded for an analysis of the changes, for example:</p> <ul style="list-style-type: none"> • the world price of food has increased; • the quantity supplied could have fallen. <p>Award 1 mark for each relevant point.</p> <p>Award up to 2 marks for a comment on the size of the respective shifts in D and S, ideally including elasticity of supply or demand, and their variable effect on the equilibrium price and quantity.</p>	<p>[6]</p>	<p>The case material refers to both demand and supply factors. Both shifts have to be shown for 4 marks.</p> <p>If S and D are incorrectly labelled (eg wrong way round), then award no marks.</p> <p>2 diagrams are equally acceptable provided shifts of D and S are correct.</p> <p>One shift only - 2 marks.</p> <p>For equilibrium marks there must be equilibrium points or labelled points on the axes.</p> <p>NB 4 marks for diagram/explanation and 2 marks for a comment. Max 4 marks if only one shift</p> <p>The 'comment' element is difficult - be generous on any answer that gives an indication of scale/size of respective shifts and their effect on equilibrium price/quantity- 1 mark.</p> <p>Give 1 mark for reference to price changing greater than quantity.</p> <p>Must refer to Me for 6 marks</p>

Question	Expected Answer	Mark	Rationale
5	In China, the estimated income elasticity of demand for chicken is +1.5 and for pork it is +2.5.		
	<p>(a) Define the term 'income elasticity of demand'.</p> <p>Award 2 marks for a clear, correct definition such as 'the responsiveness of (quantity) demanded to a change in income'. Correct formula is also acceptable for 2 marks.</p> <p>Give 1 mark for a vague idea where the change aspect is not fully understood.</p>	[2]	<p>Note 'such as' in the definition opposite.</p> <p>Watch out for confusion with price elasticity of demand.</p>
	<p>(b) Comment on the relevance of these estimates for meat producers in China.</p> <p>Up to 4 marks for an explanation of what the estimates mean. 1 mark for each of:</p> <ul style="list-style-type: none"> • normal good/superior good; • an increase/decrease in income will lead to an increase/decrease in demand; • either or both estimates are income elastic; • there will be a greater change in demand for pork than chicken following a change in income or YED for pork is more elastic than YED for chicken • numerical interpretation. <p>Up to 4 marks for a relevant comment that is elaborated such as:</p> <ul style="list-style-type: none"> • the data is estimated and could be liable to inaccuracy; • the data may not hold true over time; • they appear to indicate good prospects for both types of producer, pork more so than chicken. 	[8]	<p>It must be clear throughout that responses are about income elasticity not price elasticity, otherwise 0 marks to be awarded.</p> <p>A good numerical interpretation or diagram can get 2 marks.</p> <p>Do not accept comments which concentrate on absolute levels rather than changes in income.</p> <p>Award up to 3 marks maximum for comments re quality of data (as long as they do not specify PED). A well-developed comment on future market opportunities can gain 4 marks.</p>

Question	Expected Answer	Mark	Rationale
6	<p>Using a demand and supply diagram, explain how the introduction of a subsidy to producers affects the equilibrium position in a market.</p> 	[8]	A relatively easy question at this stage.
6 cont	<p>Award up to 4 marks for a correctly drawn diagram that shows:</p> <ul style="list-style-type: none"> • correctly drawn and labelled D and S curves; • initial equilibrium position; • shift to the right of S; • new equilibrium position. <p>NB axes must be labelled correctly to access diagram marks.</p>		For equilibrium marks there must be equilibrium points or labelled points on axes.

Question	Expected Answer	Mark	Rationale
6 cont	Award up to 4 marks for relevant explanation to include: <ul style="list-style-type: none">• A subsidy will reduce the market price• Lower cost of production• An incentive for producers to supply more• Quantity supplied will increase• Quantity demanded increases• Overproduction can occur• Merit good		Any two points elaborated can get 4 marks. E.g. full reference back to the diagram

Question	Expected Answer	Mark	Rationale
7	<p>Discuss whether governments should subsidise food prices.</p> <p>This question requires a discussion of the arguments for and against the use of subsidies as a means of reducing food prices. Answers should be in context, not just in terms of the theoretical principles.</p> <p><i>The case for subsidising food prices is particularly practised in developing and socialist economies. The purpose is to increase the real income of consumers by keeping prices below what would otherwise be the market equilibrium. It is also a means of keeping supply at what might seem to be an artificially high level in order to guarantee supplies. Arguments against should focus on the inefficiency resulting from the introduction of subsidies. For example, some agricultural producers who are inefficient are kept in business due to the income they receive through subsidies – lower prices are paid by all consumers, irrespective of income. Excessive subsidies could even mean that demand outstrips supply, resulting in food queues and rationing.</i></p>	[18]	<p>This is not an easy question for AS students new to the subject.</p> <p>Reward general analysis of why governments find it appropriate to subsidise merit goods. L3</p> <p>Using diagram.</p>
	<p>L4 For a discussion of whether governments should subsidise food prices. (13 – 18)</p> <p>A balanced answer that puts forward both sides of the case for governments to subsidise food prices. There must be adequate analysis to underpin this discussion of some of the points given above.</p>		<p>A good approach is to see food as a merit good, particularly for those in poor countries such as Mexico.</p>
	<p>A one sided discussion - 15 max. This is more likely to be with respect to the case 'for' subsidizing food prices.</p> <p>A very good answer (16+ marks) may include discussion of :</p> <ul style="list-style-type: none"> – the opportunity cost of subsidising food prices relative to other forms of government spending. E.g. NHS, education – the demand for some food products may be price inelastic so subsidies are likely to be irrelevant in increasing demand 		

Question	Expected Answer	Mark	Rationale
<p>7 cont</p>	<ul style="list-style-type: none"> - governments should subsidise merit good foods e.g. essential/healthy foods rather than all food. Selective subsidies/ negative externalities. - positive externalities – helping society in general - Size of subsidy – how can it be calculated? <p>For 16+ marks, there should be at least two points, one of which is discussed in a substantive way. A two sided discussion lacking this depth should get 13-15 marks.</p> <p>Complex ideas have been expressed clearly and fluently using a style of writing appropriate to complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate terminology. There may be few, if any, errors of spelling punctuation and grammar.</p>		<p>Accept discussion of need to increase tax to cover subsidy.</p>
	<p>L3 For an analysis of why governments should subsidise food prices. (9-12)</p> <p>For 11+ marks, the analysis should have some reference to food. Answers for 9-10 marks may be unbalanced with an emphasis on why governments use subsidies.</p> <p>Example of analysis:</p> <ul style="list-style-type: none"> • Positive externalities • Analysis of the diagram • Increased consumer surplus. <p>Relatively straightforward ideas have been expressed with clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</p>		

Question	Expected Answer	Mark	Rationale
7 cont	<p>L2 For an application of knowledge as to whether governments subsidise food prices. (5-8)</p> <p>These answers may consider various issues but will lack analysis. For 7+ marks, some reference to both sides must be made. For 5-6 marks, answers may be unbalanced, with emphasis on one side only.</p> <p>Some simple ideas have been expressed in an appropriate context. They are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p>		<p>These answers will lack any analytical underpinning, but it is necessary at this level for them to be applied to food.</p> <p>At this level though a two sided answer using economic terms can be assessed as Level 4.</p>
	<p>L1 For a knowledge and understanding as to why governments subsidise (1-4)</p> <p>Knowledge of a subsidy is 1-2 marks. Very general points about why subsidies are required 1-2 marks. Unexplained diagram could get 3-4 marks. These answers will be shallow in scope and depth, containing a few simply made points.</p> <p>Some simple ideas have been expressed. There will be errors of spelling, punctuation and grammar that will be noticeable and intrusive. Writing may also lack legibility.</p>		<p>A relevant but unexplained diagram illustrates understanding.</p>

F582 The National and International Economy

Subject-specific Instructions

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Level 1

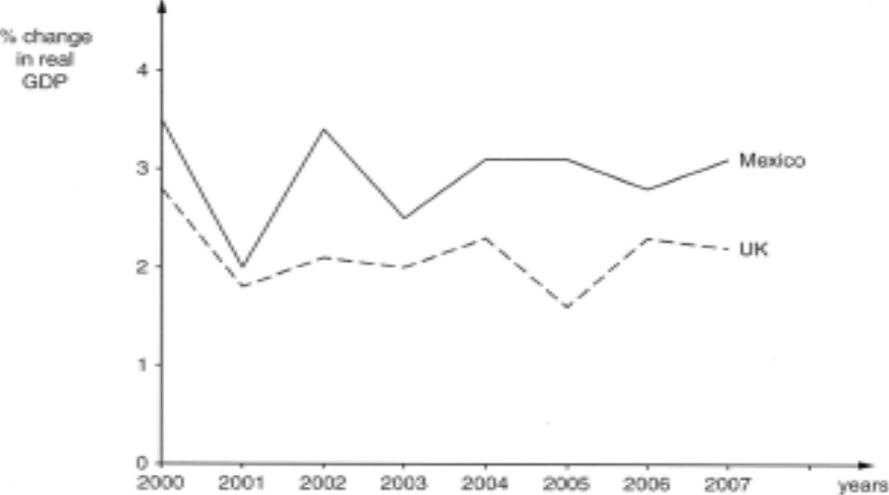
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Question	Syllabus Ref	Expected Answer	Mark	Rationale
1		Define the term 'Gross Domestic Product'. (line 2)	[2]	
		<p>2 marks for total/value output produced in an economy/country. 2 marks for total output produced in a given time period. 2 marks for total amount spent on the products produced by an economy. 1 mark for total output/income/expenditure. 1 mark for what is produced/earned in a country/economy. 1 mark for in a given time period.</p>		<p>Nothing for the distinction between real and nominal amount an economy could produce/economic growth. Nothing for methods of measurement. Allow 2 marks for amount of income in the circular flow and $C+I+G+(X-M)$ Allow 1 mark for national income/amount of money in the circular flow. Allow 1 mark for amount spent in an economy. Time period must be linked to output.</p>

Question	Syllabus Ref	Expected Answer	Mark	Rationale																				
2		<p>Fig 1. Main export destinations 2007</p> <table border="1" data-bbox="504 295 1556 502"> <thead> <tr> <th data-bbox="504 295 952 359">Mexico exports</th> <th data-bbox="952 295 1086 359">% of total exports</th> <th data-bbox="1086 295 1556 359">UK exports</th> <th data-bbox="1556 295 1691 359">% of total exports</th> </tr> </thead> <tbody> <tr> <td data-bbox="504 359 952 391">1 USA</td> <td data-bbox="952 359 1086 391">85.7</td> <td data-bbox="1086 359 1556 391">USA</td> <td data-bbox="1556 359 1691 391">14.6</td> </tr> <tr> <td data-bbox="504 391 952 422">2 Canada</td> <td data-bbox="952 391 1086 422">2.0</td> <td data-bbox="1086 391 1556 422">Germany</td> <td data-bbox="1556 391 1691 422">10.9</td> </tr> <tr> <td data-bbox="504 422 952 454">3 Spain</td> <td data-bbox="952 422 1086 454">1.3</td> <td data-bbox="1086 422 1556 454">France</td> <td data-bbox="1556 422 1691 454">9.4</td> </tr> <tr> <td data-bbox="504 454 952 502">4 Japan</td> <td data-bbox="952 454 1086 502">1.1</td> <td data-bbox="1086 454 1556 502">Ireland</td> <td data-bbox="1556 454 1691 502">7.8</td> </tr> </tbody> </table>	Mexico exports	% of total exports	UK exports	% of total exports	1 USA	85.7	USA	14.6	2 Canada	2.0	Germany	10.9	3 Spain	1.3	France	9.4	4 Japan	1.1	Ireland	7.8		
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	(a)	<p>Using Fig 1. (above) describe how the destination of Mexico’s exports compares with that of the UK.</p>	[3]																					
		<p>1 mark for the USA is the main export market for both countries. 1 mark for the USA is a more important export market for Mexico than for the UK. 1 mark for noting that the other three countries are different or for noting that, e.g. Canada is the second most important for Mexico whereas Germany is the second most important for the UK. 1 mark for mentioning that three of the UK’s trading partners are members of the EU or European and two of Mexico’s are members of NAFTA or from North America. 1 mark for UK’s export destinations are more evenly spread. 1 mark for UK’s export destinations are mainly closer to the UK. Maximum 3 marks</p>		<p>3 marks cannot be gained unless there is some direct comparison.</p>																				

Question	Syllabus Ref	Expected Answer	Mark	Rationale
	(b)	<p>Using an aggregate demand and aggregate supply diagram, analyse the effects of a fall in exports on an economy. Accurate diagram = up to a maximum of 5 marks.</p>	[8]	
		<p>1 mark for axes correctly labelled (i.e. macro labels). 1 mark for AD and AS curves correctly labelled. 1 mark for original equilibrium level shown by lines drawn to the axes. 1 mark for shift of AD curve to the left. 1 mark for new equilibrium shown by lines drawn to the axes.</p> <p>See Appendix A</p>		<p>Vertical axis:- accept price level, general price level Horizontal axis:- real GDP, national output, aggregate output 0 marks for equilibrium if micro diagram.</p>
		<p>Accurate explanation = up to a maximum of 5 marks. 1 mark for noting that exports are a component of AD/injection. 1 mark for noting that the AD curve will shift to the left (if not shown on the diagram). 1 mark for effect on output. 1 mark for effect on price level. 1 mark for effect on employment/unemployment. 1 mark for effect on balance of payments. 1 mark for noting there will be a multiplier effect.</p> <p>Up to 2 marks for explanation that effects on the price level and output will depend on the initial position on the AS curve.</p> <p>Maximum 8 marks</p>		<p>1 mark for depends on extent of fall in X. 1 mark if clear understanding of multiplier even without the term.</p>

Question	Syllabus Ref	Expected Answer	Mark	Rationale
3	(a)	Using information from the case study, lines 9-11, calculate the contribution of investment to Mexico's aggregate demand in 2007.	[2]	
		2 marks for 20%. 1 mark for awareness that $AD = C + I + G + (X - M)$.		
	(b)	State and explain two causes of an increase in investment.	[6]	
		1 mark for each of each two causes of an increase in investment identified eg rise in consumer expenditure, rise in business confidence, fall in corporation tax, fall in interest rates, advances in technology. 1 mark each for each of two basic explanatory points eg. higher consumer expenditure increases demand for firms' products. 1 mark each for each of two further elaborations eg to produce more products, firms may have to expand their capacity.		No marks for an answer which confuses investment and saving. Allow 1 mark for example of investment spending.

Question	Syllabus Ref	Expected Answer	Mark	Rationale
4	(a)	Explain <u>one</u> difficulty of measuring economic growth.	[3]	
		1 mark for stating a difficulty, eg. figure can be affected by inflation, some economic activity may not be declared, need to avoid transfer payments. 1 mark for basic explanation, eg have to remove the effects of inflation, have to assess the size of the informal economy. 1 mark for a further elaboration, eg real GDP shows changes in output, the size of the informal economy is influenced by tax rates.		1 mark only for noting a complex process of gathering and processing data.
	(b)	Using Fig. 2 and the information in lines 12-15, comment on the view that Mexico's economic growth rate is more stable than that of the UK and that Mexico's GDP would soon match that of the UK. <p style="text-align: center;">A comparison of Mexico's and the UK's economic growth rates 2000–2007</p>  <p style="text-align: center;">Fig. 2</p>	[4]	

Question	Syllabus Ref	Expected Answer	Mark	Rationale
		Up to 2 marks for analysis: <ul style="list-style-type: none"> • Mexico's growth rate fluctuates slightly more than the UK's • supporting evidence • Mexico's growth rate is higher than the UK's • supporting evidence • UK's growth rate fluctuates more than Mexico's after 2004/ 2005 • supporting evidence • UK's GDP is higher than Mexico's • supporting evidence 		No marks for just stating 'yes it is' or 'no it is not' or 'yes it will' or 'no it will not'. Nothing for confusion that Mexico's GDP is higher.
		Up to 2 marks for evaluation: <ul style="list-style-type: none"> • gap between countries' GDP may narrow • gap narrowing depends on Mexico's growth rate remaining higher • given current gap it would take a long time 		

Question	Syllabus Ref	Expected Answer	Mark	Rationale
5	(a)	Describe <u>two</u> causes of unemployment.	[4]	
		2 marks for identifying a cause of unemployment, eg lack of aggregate demand, decline of particular industries. (x2). 1 mark each for each description eg if AD is low, firms' output will be low so production will be low and not many workers will be needed; (x2) Or switches in demand, changes in technology and reduced international competitiveness can lead to a decline of particular industries.		
	(b)	Comment on the economic effects of low unemployment.	[8]	
		Up to 2 marks for identifying effects: <ul style="list-style-type: none"> • high output • high tax revenue • low government spending on benefits • poverty trap • increased consumer confidence Up to 2 marks for explaining an effect/effects e.g. higher tax revenue because more people in work and spending more, higher tax revenue can increase spending on education and health care. Up to 4 marks for evaluating effects, eg will depend on: <ul style="list-style-type: none"> • how low unemployment is • the length of time people are unemployed • the type of unemployment • there can be advantages and disadvantages e.g. demand -pull inflation 		Can accept what may at first appear to be social costs if linked into economic effects e.g. Rising crime as long as it is linked to increased government spending on the police, prisons.

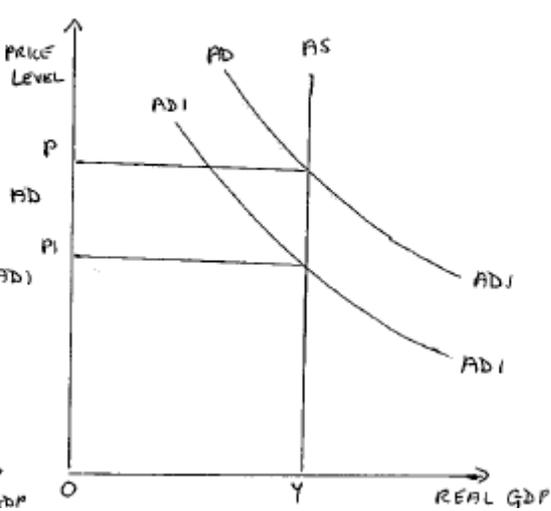
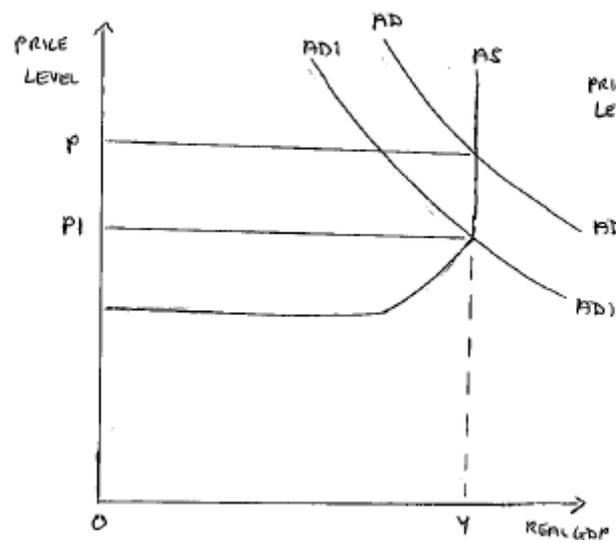
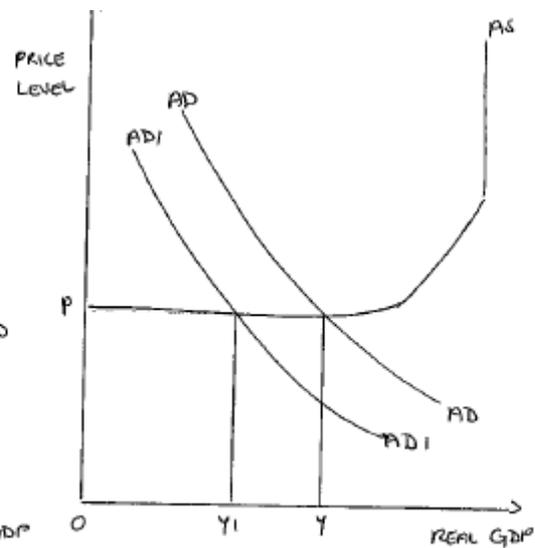
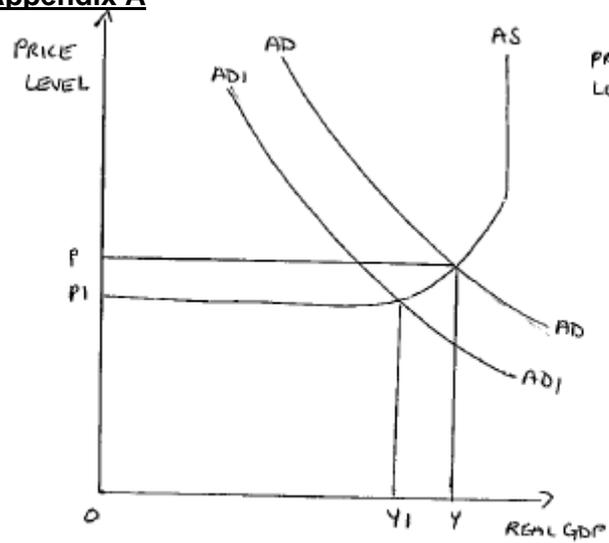
Question	Syllabus Ref	Expected Answer	Mark	Rationale
6	(a)	Using information from the case study, identify <u>two</u> supply side policies.	[2]	
		1 mark each for each of two policies identified; simplifying tax system, reforming trade unions, spending more on transport infrastructure, spending more on education and spending more on health care.		1 mark for education or investment but any other factors should state the change. 0 marks for Government spending.
	(b)	Discuss the extent to which supply side policies can be effective in reducing inflation.	[18]	
		<p>This question requires a discussion of how effective supply side policies can be in reducing rises in the general price level.</p> <p><i>Supply side policies are aimed at increasing aggregate supply. If the policies are successful in raising productive capacity, it will be possible to increase output without putting too much upward pressure on the price level. Answers should recognise both the strengths and the limitations of supply side policies. For example, whilst supply side policies have the potential to allow an economy to grow without inflationary pressure, they take a long time to have an effect and there is no guarantee they will work.</i></p> <p>L4 For a discussion of how effective supply side policies are in reducing inflation. (13-18)</p> <p>Answers should evaluate how effective supply side policies are in reducing inflation. Examples of L4 answers:</p> <ul style="list-style-type: none"> • supply side policies, including education and training, may take years to have an influence on productivity and so on aggregate supply • supply side policies, including education, training, government subsidies may be expensive and government expenditure on them will have an opportunity cost • there is no guarantee supply side policies will work. For instance, 		

Question	Syllabus Ref	Expected Answer	Mark	Rationale
		privatisation may or may not increase efficiency and cut costs <ul style="list-style-type: none"> • supply side policies can make economic growth more sustainable and enable AD to increase without generating inflation • supply side policies may have no impact on the price level if the economy is already operating with considerable spare capacity. 		
		<p>For 16+ marks, the discussion must have some depth to the factors influencing effectiveness and their relative importance.</p> <p>For 13-15 marks, a discussion that does evaluate but which lacks depth or is relatively narrowly focused.</p> <p>Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any errors of spelling, punctuation and grammar.</p> <p>L3 For an analysis of supply side policies and how they might reduce inflation. (9-12)</p> <p>Answers should analyse the link between supply side policies and inflation Examples of L3 answers:</p> <ul style="list-style-type: none"> • an AD/AS diagram may be used, showing the AS curve shifting to the right with some supporting statements • education and training may increase labour productivity, which could lower costs of production and so reduce cost-push inflation • cutting income tax and reducing state benefits may increase the incentive to work and encourage enterprise and effort. If the number of hours worked increases, AS will shift to the right • a cut in corporation tax may increase the ability and willingness of firms to invest. This will increase productive capacity. 		

Question	Syllabus Ref	Expected Answer	Mark	Rationale
		<ul style="list-style-type: none"> • privatisation and deregulation can increase competitive pressures and hence efficiency. This will lower costs of production. <p>For 11+, there should be some depth of analysis of policy/policies.</p> <p>For 9-10, there may be some lack of depth, or the analysis may be based on supply side policies in general.</p> <p>Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though some may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure in meaning.</p>		
		<p>L2 For an application of knowledge and understanding of supply side policies and the link to reducing inflation. (5-8)</p> <p>Answers should recognise how supply side policies are designed to affect the economy. Examples of L2 answers:</p> <ul style="list-style-type: none"> • supply side policies should shift the AS curve to the right and so raise real GDP and lower the price level. • supply side policies are designed to increase productive capacity. Having more or better quality resources increases the amount an economy can produce. <p>For 7+ marks, the answer should recognise the effects of supply side policies on both real GDP and the price level.</p> <p>For 5-6 marks, answers may recognise the effects of supply side policies on either real GDP or the price level.</p> <p>Some simple ideas have been expressed in appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p>		

Question	Syllabus Ref	Expected Answer	Mark	Rationale
		<p>L1 For knowledge and understanding of the meaning of supply side policies and/or inflation. (1-4)</p> <p>These answers will show some awareness of the terms.</p> <p>Examples of L1 answers:</p> <ul style="list-style-type: none"> • supply side policies are designed to increase AS • supply side policies seek to increase the efficiency of labour and product markets • inflation is a sustained rise in the price level. <p>For 3+ marks, there will be both knowledge and understanding of both supply side policies and inflation.</p> <p>For 1-2 marks, the answer will show knowledge and understanding of either supply side policies or inflation.</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p>		

Appendix A



Grade Thresholds

Advanced GCE Economics (H061/H461))
January 2009 Examination Series

Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
F581	Raw	60	48	43	38	33	28	0
	UMS	100	80	70	60	50	40	0
F582	Raw	60	47	41	35	29	24	0
	UMS	100	80	70	60	50	40	0

0 candidates aggregated this series

For a description of how UMS marks are calculated see:
http://www.ocr.org.uk/learners/ums_results.html

Statistics are correct at the time of publication.

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