# GCE

# Economics

## H460/03: Themes in economics

A Level

# Mark Scheme for June 2025

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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.

# MARKING INSTRUCTIONS

**PREPARATION FOR MARKING**
**RM ASSESSOR**

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Online Training: OCR Essential Guide to Marking*.

2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are available in RM Assessor

3. Log-in to RM Assessor and mark the **required number** of practice responses ("scripts") and the **required number** of standardisation responses.

**MARKING**

1. Mark strictly to the mark scheme.

2. Marks awarded must relate directly to the marking criteria.

3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% (traditional 40% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.

4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone, email or via the RM Assessor messaging system.

5. **Crossed-Out Responses**
   Where a candidate has crossed out a response and provided a clear alternative then the crossed-out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed-out response where legible.

   **Rubric Error Responses – Optional Questions**
   Where candidates have a choice of question across a whole paper or a whole section and have provided more answers than required, then all responses are marked and the highest mark allowable within the rubric is given. Enter a mark for each question answered into RM

Assessor, which will select the highest mark from those awarded. *(The underlying assumption is that the candidate has penalised themselves by attempting more questions than necessary in the time allowed.)*

**Multiple-Choice Question Responses**
When a multiple-choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).
*When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.*

**Contradictory Responses**
When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

**Short Answer Questions (requiring only a list by way of a response, usually worth only one mark per response)**
Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

**Short Answer Questions (requiring a more developed response, worth two or more marks**)
If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space).

**Longer Answer Questions (requiring a developed response)**
Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the

candidate has continued an answer there, then add the annotation 'SEEN' to confirm that the work has been seen and mark any responses using the annotations in section 11.

7. There is a NR (**No Response**) option. Award NR (No Response):

- if there is nothing written at all in the answer space
- OR if there is a comment which does not in any way relate to the question (e.g., 'can't do', 'don't know')
- OR if there is a mark (e.g., a dash, a question mark) which is not an attempt at the question.

Note: Award 0 marks – for an attempt that earns no credit (including copying out the question).

8. The RM Assessor **comments box** is used by your Team Leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**

9. A*ssistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.*

10. For answers marked by levels of response: Not applicable in F501
**To determine the level** – start at the highest level and work down until you reach the level that matches the answer
**To determine the mark within the level**, consider the following

| Descriptor | Award mark |
|---|---|
| On the borderline of this level and the one below | At bottom of level |
| Just enough achievement on balance for this level | Above bottom and either below middle or at middle of level (depending on number of marks available) |
| Meets the criteria but with some slight inconsistency | Above middle and either below top of level or at middle of level (depending on number of marks available) |
| Consistently meets the criteria for this level | At top of level |

11. **Annotations**

| **Annotation** | **Meaning** | **Standard Annotations for all papers** | |
|---|---|---|---|
| ✓ | Correct – mark awarded | BP | Must be used on all blank pages of QP and additional objects |
| ✗ | Incorrect | SEEN | Noted but no credit given |
| BOD | Benefit of doubt | Off Page comments | Should only be used by Team Leaders for training purposes |
| KU | AO1 – Knowledge and understanding | Highlight | To highlight text within candidate responses |
| APP | AO2 – Applying knowledge and understanding | | |
| AN | AO3 – Analyse | | |
| EVAL | AO4 – Evaluation | | |
| NAQ | Not answering question | | |
| TV | Too vague | | |
| OFR | Own figure rule | | |
| CON | Confused | | |
| ? | Unclear | | |

12. **Subject–specific Marking Instructions**

**INTRODUCTION**
Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:
- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.
You should ensure also that you are familiar with the administrative procedures related to the marking process.
These are set out in the OCR booklet **Instructions for Examiners**.
If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.
You must ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

**USING THE MARK SCHEME**
Study this Mark Scheme carefully.
The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades.
Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.
This Mark Scheme is a working document; it is not exhaustive; it does not provide ‘correct’ answers.
The Mark Scheme can only provide ‘best guesses’ about how the question will work out, and it is subject to revision after at a wide range of scripts are reviewed.
The Examiners’ Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates’ responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way.
The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed.
Co–ordination scripts will be issued at the meeting to exemplify aspects of candidates’ responses and achievements; the co–ordination scripts then become part of this Mark Scheme.
Before the Standardisation Meeting, you should read and mark a number of scripts, in order to gain an impression of the range of responses and achievement that may be expected.
In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.
You will encounter answers which fall outside the ‘target range’ of Bands for the paper which you are marking.
Mark these answers according to the marking criteria.
Carefully read all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

**INSTRUCTIONS TO EXAMINERS:**

**A: INDIVIDUAL ANSWERS**

1 The indicative content indicates the expected parameters for candidates' answers but be prepared to recognise and credit unexpected approaches where they show relevance.

2 Using 'best fit', decide first which set of LEVEL DESCRIPTORS best describes the overall quality of the answer. Once the level is located, adjust the mark concentrating on features of the answer which make it stronger or weaker following the guidelines for refinement.
   - Highest mark: If clear evidence of all the qualities in the level descriptors is shown, the HIGHEST Mark should be awarded.
   - Lowest mark: If the answer shows the candidate to be borderline (i.e. they have achieved all the qualities of the levels below and show limited evidence of meeting the criteria of the level in question) the LOWEST mark should be awarded.
   - Middle mark: This mark should be used for candidates who are secure in the level. They are not 'borderline', but they have only achieved some of the qualities in the level descriptors.

3 Be prepared to use the full range of marks. Do not reserve (e.g.) high level marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the level descriptors, reward appropriately.

**B: TOTAL MARKS**

1 The maximum mark for the paper is 80.

2 The quality of the extended response is assessed on this part of the question paper which is identified with the use of an asterisk (*). The assessment of this skill is embedded within each of the levels of response, and it must be considered when determining the mark to be awarded within the appropriate level.

| **Levels of response / Level descriptors** | **Knowledge and understanding (AO1)** | **Applying knowledge and understanding (AO2)** | **Analysis (AO3)** | **Evaluation (AO4)** |
|---|---|---|---|---|
| **Strong** | Precise knowledge and understanding of economic ideas, principles, and models. | Ability to apply economic ideas to a specific context, using relevant and focussed examples fully integrated and good use of data where appropriate. | Correct analysis with consistently well-developed links through a coherent chain of reasoning which addresses the question.<br>Any relevant diagram(s) are accurate with no significant errors that affect the validity of the analysis.<br>Any diagram(s) must be integral to the analysis. | Counter argument(s) are fully developed.<br>A conclusion is drawn weighing up both sides, considering extent and alternatives and reaches a supported judgement. |
| **Good** | Mainly accurate knowledge and understanding of economic ideas, principles, and models. | Ability to apply economic ideas to a specific context, using some relevant and focussed examples to the given context and scope of the question. Some good use of data where appropriate | An explanation of causes and consequences, developing most of the links in the chain of argument.<br>Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis.<br>Any diagram(s) must be integral to the analysis. | Counter argument(s) are fully developed.<br>A conclusion is drawn weighing up both sides/comparing alternatives but without reaching a supported judgement. |

| Levels of response / Level descriptors | Knowledge and understanding (AO1) | Applying knowledge and understanding (AO2) | Analysis (AO3) | Evaluation (AO4) |
|---|---|---|---|---|
| **Reasonable** | Awareness of the meaning of economic ideas, principles, and models | Ability to apply economic ideas to some elements of the given context, although possibly inconsistent examples not always relevant to the given context and scope of the question. Some use of data where appropriate | There is correct analysis in the form of single links. These address the question **but** are not developed into a clear chain of reasoning. Any relevant diagram(s) may have errors that affect the validity of the analysis or are not integrated into the response. | Counter arguments are considered but not fully developed. Some attempt to conclude, which shows some recognition of the influencing factors, but without considering extent and alternatives. |
| **Limited** | Limited awareness of the meaning of economic ideas, principles, and models | Very little ability to apply economic ideas to some elements of the given context. Examples may be generic or irrelevant to the given context | There is little evidence of reasoning that addresses the question asked. Simple statement(s) of cause and consequence are used. There is a lack of a clear structure. Absence of relevant diagram(s) or diagram(s) which have errors / omissions that significantly affect the validity of the analysis. | Counter arguments are simply stated. Unsupported statements or assertions, or no evaluation. |

**SECTION A**

| Questions | Answer |
|---|---|
| **1** | B |
| **2** | C |
| **3** | D |
| **4** | D |
| **5** | A |
| **6** | A |
| **7** | C |
| **8** | C |
| **9** | B |
| **10** | D |
| **11** | C |
| **12** | C |
| **13** | B |
| **14** | C |
| **15** | C |
| **16** | A |
| **17** | D |
| **18** | A |
| **19** | D |
| **20** | D |
| **21** | C |
| **22** | A |
| **23** | B |
| **24** | B |
| **25** | B |
| **26** | A |
| **27** | C |
| **28** | C |
| **29** | D |
| **30** | D |

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| Q | Key | Rationale | AO | Quantitative skills |
|---|---|---|---|---|
| **1** | **B** | A This is the profit maximising quantity of output.<br>B **Correct:** This is productive efficiency where AC = MC, the lowest point on the AC curve.<br>C This is allocative efficiency where MC = AR.<br>D This is the volume maximising quantity of output where the firm makes a normal profit. | AO1 | ✓ |
| **2** | **C** | A This is the difference between the original quantity of corn produced and the maximum possible quantity of corn that could be produced.<br>B This is the difference between the new quantity of corn produced and the maximum possible quantity of corn that could be produced.<br>C **Correct:** C2 to C3 is the quantity of corn that is given up in order to increase production of wheat from W1 to W2.<br>D This is the quantity of wheat that is sacrificed in order to produce C3 quantity of corn. | AO2 | ✓ |
| **3** | **D** | A Banks are the intermediary that can transform saving into loans for investment<br>B Exports are an inflow into the circular flow of income but are not part of the Harrod Domar model<br>C Microfinance may be useful in instances where there is a lack of saving in the economy<br>D **Correct:** The model states that saving is important in providing funds for firms to borrow to undertake investment. | AO1 | |
| **4** | **D** | A Exports to Japan should decrease as a result of protectionist policies.<br>B Imports from Japan should decrease as a result of protectionist policies.<br>C Consumer surplus would fall as a result of the tariff raising the price of steel for UK consumers.<br>D **Correct:** As a result of protectionist policies being imposed on UK exports, UK firms would see a fall in demand and as a result unemployment would increase. | AO3 | |
| **5** | **A** | A **Correct:** country A will benefit more from trade than country B leading to widening inequality between the two countries<br>B Inequality within country A and country B would not necessarily be affected by changes in the terms of trade<br>C Country B will experience falling living standards as they will be able to import less with the same number of exports<br>D Country A will be able to buy the same number of imports with fewer exports | AO1 | |

| Q | Key | Rationale | AO | Quantitative skills |
|---|---|---|---|---|
| **6** | **A** | A **Correct:** These goods come from a production process that yields more than one output.<br>B These goods are in competitive supply.<br>C These goods are in joint demand.<br>D The demand for labour is a derived demand. | AO1 | |
| **7** | **C** | A Increases supply by the PES value (130, 000 x 1.02)<br>B calculates percentage change in price incorrectly (£0.60 / £3.00 = 20%)<br>C **Correct:** PES = % change in Qs / % change in price. % change in price is £0.60 / £2.40 = 25%. 0.2 = X / 25%. Rearrange to find % change in Q = 5%. 130, 000 x 1.05 = 136, 500<br>D Uses incorrect formula (% change in price / % change in quantity supplied) | AO2 | ✓ |
| **8** | **C** | A This was not part of the firm's revenue before or after the price change.<br>B This leaves area C A Q Q1 which the portion of revenue lost as a result of the price change, but it does not include the revenue gained from the price change.<br>C **Correct:** This is the revenue gained from the price change less the revenue lost. Original revenue was P A Q O and the new revenue is P1 B Q1 O.<br>D This is the new total revenue but does not represent the change in the revenue. | AO2 | ✓ |
| **9** | **B** | A The marginal product is still increasing so diminishing returns have not set in yet.<br>B **Correct:** The marginal product from employing an extra worker falls from 8 to 6.<br>C This is the largest fall in marginal product but diminishing returns have already set in.<br>D This is where total product falls and marginal product is negative. | AO1 | ✓ |
| **10** | **D** | A If firms make supernormal profits, it is possible that x inefficiencies could occur.<br>B If firms make supernormal profits, it is possible that x inefficiencies could occur.<br>C If firms make supernormal profits, it is possible that x inefficiencies could occur.<br>D **Correct:** Firms makes normal profit so any x inefficiency would lead to losses being made | AO1 | |

| Q | Key | Rationale | AO | Quantitative skills |
|---|---|---|---|---|
| **11** | **C** | A Changes in interest rates will also affect other components of AD<br>B Changes in interest rates will also affect other components of AD<br>C **Correct:** changes in interest rates could affect all of the components of AD. Interest rates affect the cost to borrow and the reward to save so affect consumption and investment. Interest rates can affect the exchange rate and so can affect exports and imports. Interest rates affect government borrowing costs and tax revenues so may affect government spending.<br>D Changes in interest rates will also affect other components of AD | AO3 | |
| **12** | **C** | A Australia has the third highest terms of trade.<br>B Nigeria has the lowest terms of trade.<br>C **Correct:** terms of trade = index of export prices / index of import prices. Sri Lanka has the highest with 1.09 (UK 1.06, Australia 1.02, Nigeria 0.91)<br>D UK has the second highest terms of trade. | AO1 | ✓ |
| **13** | **B** | A This is the size of the change in the average revenue<br>B **Correct:** The marginal revenue is the change in the total revenue. At £5 the total revenue is £5 x 8 = £40. At £6 the total revenue is £6 x 7 = £42. £42 - £40 = £2.<br>C This is the marginal revenue from a price change from £4 to £5<br>D This is the total revenue at a price of £6 | AO2 | ✓ |
| **14** | **C** | A If interest rates are high consumers are more likely to save additional income.<br>B Consumers will be less likely to spend increases in income that they believe to only be temporary according to Friedman's permanent income hypothesis.<br>C **Correct:** High job security will give consumers the confidence to spend additional income.<br>D If consumers expect prices to fall further, they will delay consumption. | AO3 | |
| **15** | **C** | A Cyclical unemployment occurs during a downturn of the economic cycle.<br>B Frictional unemployment is unemployment associated with job search.<br>C **Correct:** real wage unemployment is caused by disequilibrium in labour markets as a result of wages being higher than the equilibrium wage rate.<br>D Structural unemployment arises due to changes in the pattern of economic activity within an economy. | AO1 | |

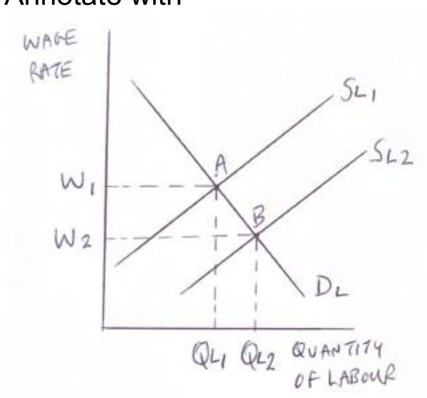
| Q | Key | Rationale | AO | Quantitative skills |
|---|---|---|---|---|
| **16** | **A** | A **Correct**: This is the wage the monopsonist employer needs to pay to obtain the profit maximising quantity of workers (where $MC_L = MRP_L$).<br>B This is the equilibrium wage rate in a competitive labour market.<br>C This is the MRP of the workers employed by a monopsonist.<br>D This is the wage rate at which the demand for workers would be zero. | AO1 | ✓ |
| **17** | **D** | A This would decrease costs to firms and shift the short run Philips curve outwards<br>B This would increase costs to firms and would shift the short run Philips curve inwards<br>C This would reduce the factors of production in the economy and shift the long run Philips curve outwards<br>D **Correct:** A supply side policy such as spending on education and training will increase the LRAS and shift the long run Philips curve inwards. | AO3 | ✓ |
| **18** | **A** | A **Correct:** The supply curve assumers a closed shop union with no supply coming from non-unionised workers.<br>B This would result in a more inelastic demand curve for labour than represented in the diagram.<br>C This cannot be inferred from the diagram.<br>D This cannot be inferred from the diagram. | AO1 | ✓ |
| **19** | **D** | A This is an expansionary monetary policy affecting AD<br>B This is an exchange rate policy affecting AD .<br>C This is a fiscal policy affecting AD<br>D **Correct:** The aim of this policy is to shift LRAS outwards. | AO1 | |
| **20** | **D** | A With a positive output gap imports should increase as domestic consumers look to imports as domestic supply struggles to keep up with demand.<br>B Wage rates should rise as firms need to pay workers overtime and available workers are scarce.<br>C A positive output gap will increase inflationary pressure<br>D **Correct:** Firms will find it difficult to hire workers as the economy is operating beyond full employment. | AO3 | ✓ |

| Q | Key | Rationale | AO | Quantitative skills |
|---|---|---|---|---|
| **21** | **C** | A A Perfectly contestable market has no entry barriers and firms can enter markets without restriction.<br>B Contestable markets can have any number of incumbent firms and will make normal profits<br>C **Correct:** A perfectly contestable market will have no entry barriers and as a result incumbent firm will produce where AC = AR and make a normal profit.<br>D Firms will not make supernormal profit as it will invite new entrants to the market | AO1 | |
| **22** | **A** | A **Correct:** The economic profit is the revenue (£80, 000) minus the costs (£50, 000) and minus the opportunity costs (£40, 000 + £12, 000).<br>B This is revenue minus costs and opportunity costs of forgone rental income but omits lost earnings from previous job.<br>C Is the accounting profit £80, 000 - £50, 000<br>D Adds the forgone salary to the business revenue before subtracting the costs and opportunity cost of forgone rental income. | AO2 | ✓ |
| **23** | **B** | A As demand for labour is derived from the demand for the good the labour produces, a fall in demand for the good will lead to an inward shift of the demand for labour.<br>B **Correct:** If worker productivity increases then MRP will increase and the demand for labour would shift outwards.<br>C Workers would switch to the alternative labour market as higher wages are on offer. Therefore, the supply curve would shift to the left.<br>D This would allow more workers to enter the market so the supply curve would shift outwards. | AO3 | ✓ |
| **24** | **B** | A Expansionary demand side policies will only cause inflation and not economic growth.<br>B **Correct:** An effective supply side policy will shift LRAS outwards and cause economic growth.<br>C Expansionary demand side policies will only cause inflation and not economic growth.<br>D Expansionary demand side policies will only cause inflation and not economic growth. | AO3 | |
| **25** | **B** | A A boom phase is characterised by high level of GDP growth<br>B **Correct:** GDP growth was negative for 5 consecutive quarters from Q3 2008 to Q3 2009.<br>C A recovery is where GDP growth starts to become positive following a recession.<br>D A slowdown is a fall in the rate of GDP growth below the trend rate of growth. | AO1 | |

| Q | Key | Rationale | AO | Quantitative skills |
|---|---|---|---|---|
| **26** | **A** | A **Correct:** Interest rates will need to be changed to impact hot money flows and maintain the exchange rate at the fix. This may be in conflict with the need to use interest rates to reach the inflation target.<br>B Operating a fixed exchange rate system would not necessitate the removal of tariffs.<br>C A fixed exchange rate system should lead to greater certainty and therefore increased trade.<br>D A fixed exchange rate system should lead to greater certainty and therefore increased investment. | AO1 | |
| **27** | **C** | A This is a characteristic of both oligopoly and pure monopoly markets.<br>B This is a characteristic of both oligopoly and pure monopoly markets.<br>C **Correct:** This is a characteristic of oligopoly markets but not of pure monopoly markets.<br>D This is a characteristic of both oligopoly and pure monopoly markets. | AO1 | |
| **28** | **C** | A Increases population by 10% instead of 1%<br>B Increases population by 1 million instead of 1%<br>C **Correct:** GDP per capita in 2021 is $485,000,000,000 / 45,000,000 = $10,778. Population in 2022 is 45,000,000 x 1.01 (increase of 1%) = 45,450,000 so GDP per capita is $499,950,000,000 / 45,450,000 = $11, 000. The increase in GDP per capita is $11, 000 - $10, 778 = $222.<br>D Difference in GDP / original population of 45 million. | AO2 | ✓ |
| **29** | **D** | A This objective cannot be inferred from the diagram<br>B This would be a quantity where MC = MR<br>C This would be a quantity where MR = 0<br>D **Correct:** Sales volume maximisation is a quantity where AC = AR | AO1 | ✓ |
| **30** | **D** | A The demand for borrowing would not be affected so banks would not need to change interest rates.<br>B Household saving would not be affected<br>C Demand for liquidity would not be affected<br>D **Correct:** If the reserve ratio is increased banks will have to hold more of their deposits as cash and so the supply of loanable funds will fall and market interest rates would rise. | AO3 | |

## SECTION B

| Question | | | Answer | Marks | Guidance |
|---|---|---|---|---|---|
| 31 | | | **Using the data in Fig 1.1 and information in Extract 1, calculate France's national debt in 2022 in $.**<br>*Award 2 marks for correct answer:*<br><br>$3500 billion<br>$3,500,000,000,000<br>$3.5 trillion<br>$3.5 x10$^{12}$<br><br>(Debt to GDP ratio in 2022 = 112%<br>GDP in 2022 = $3125 billion<br>National debt = $3125 x 1.12 = $3500 billion) | **2**<br>AO2 x 2 | Annotate with<br><br>One mark only if missing $ or billion.<br><br>Zero marks if **both** $ and billion missing.<br><br>Award one mark for $3500 million |

| Question | | | Answer | Marks | Guidance |
|---|---|---|---|---|---|
| 32 | | | **Explain, using an appropriate diagram, the impact on the French labour market of an increase in the pensionable age.**<br>*Award up to 2 marks for a diagram:*<br>• supply curve shift to the right (1)<br>• original and new wage and quantity clearly and correctly labelled on axes (1)<br>*Award up to 2 marks for associated explanation:*<br>• Raising the pension age means there will be more workers in the workforce so labour supply will increase (1)<br>• Wages will fall from W1 to W2 and quantity of labour employed will increase from QL1 to QL2. (1) | **4**<br><br>AO1 x 1<br>AO2 x1<br>AO3 x 2 | Annotate with<br><br><br>Second explanation mark requires clear reference to diagram of **both** W2 and Q2– simply saying that the wages fall and quantity increases is not enough. |

| Question | | | Answer | Marks | Guidance |
|---|---|---|---|---|---|
| | | | | | If wages have been incorrectly labelled as price, do not award the second diagram point but the full explanation points are possible. |

**33* Evaluate, using the information in Extract 1, whether raising the pensionable age in France will benefit the macroeconomy.**
AO1 x 2, AO2 x 3, AO3 x 4, AO4 x 6

| Level / mark | Descriptor |
|---|---|
| **Level 3 (11-15 marks)** | **Good knowledge and understanding** of relevant economic idea(s), principle(s) or model(s).<br>**Good application** of economic concepts to the context and scope of the question, or some good use of data where appropriate.<br>**Strong analysis** of the question characterised by consistently well-developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis.<br>**Strong evaluation** of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement |
| **Level 2 (6-10 marks)** | **Good knowledge and understanding** of relevant economic idea(s), principle(s) or model(s).<br>**Reasonable application** of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate.<br>**Reasonable analysis** of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response<br>**Reasonable evaluation** of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement, |
| **Level 1 (1-5 marks)** | **Reasonable knowledge and understanding** of relevant economic idea(s), principle(s) or model(s).<br>**Limited application** of economic concepts to some elements of the given context and scope of the question. Use of data may be generic or irrelevant.<br>**Limited analysis** of the question characterised by reasoning that lacks a clear structure and / or does not address the question; simple statement(s) of cause and consequence; absence of relevant diagram(s) or diagram(s) which have errors / omissions that significantly affect the validity of the analysis.<br>**Limited evaluation** of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent, a stated judgement, or the absence of a judgement. |
| **0 marks** | Response is not worthy of credit |

**Question 33* Guidance**

The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation.

**Annotation**

| | | |
|---|---|---|
| **Knowledge and Understanding** | KU | Grouped at end of response |
| **Application** | APP | End of response |
| **Analysis** | AN | Grouped beside the body of the analysis |
| **Evaluation** | EVAL | Grouped beside the body of the evaluation |

**Context (Extract 1)**

- the cost of pensions being unsustainable
- The tax burden on those of working age is too great
- concern about the national debt in France
- An increase in the pension age will mean a larger workforce and possible improvements in labour market flexibility
- older people who may find it more difficult to find or retain jobs past the age of 62
- more difficult for young people to find employment
- Firms could be adversely affected if older workers had lower productivity than younger workers
- The impact on inequality was also a concern
- The policy could have a greater impact on those on lower incomes who do not have a private pension
- Those in manual jobs would find it harder to work past 62

**Question 33* Guidance continued**

**Analysis might include:**

- An increase in the size of the labour force means an increase in the quantity of factors of production and an outward shift of LRAS. Leading to long run economic growth without causing inflation.
- Greater supply of labour could put downward pressure on wages so costs to French firms fall making exports more competitive. Leading to improved current account and short run economic growth.
- Reduced cost of pensions meaning lower tax burden on working population. Could make tax cuts possible therefore stimulating consumption and AD which could increase actual economic growth.
- Reduced cost of pensions & possible increase in income tax revenue from extra employment means greater scope for government spending on a fiscal stimulus to increase growth.
- Reduced cost of pensions could mean lower deficit / debt which reduces need for any future austerity therefore making growth more sustainable.
- Increase in supply of labour and improvements in labour market flexibility could attract FDI contributing to growth and employment.
- Higher incomes of those aged over 62 might increase consumer expenditure and aggregate demand leading to growth.
- Older workers could have higher productivity due to greater experience which could increase LRAS, leading to long run economic growth.

**Evaluation might include:**

- Higher youth unemployment could lead to hysteresis effects of unemployment on the young and increased government spending on welfare payments which may cancel out the money the government has saved on reduced pension payments.
- Older workers may have a lower productivity so costs to French firms will increase making exports less competitive having a negative impact on net trade.
- Workers may increase the proportion of their income that they save during their working life in order to still retire at 62, this would reduce the size of the multiplier and lower consumption.
- Some workers (manual) are more likely to find themselves unemployed after 62. Rather than paying a pension to workers the government may find it has to pay job seekers allowance / disability benefits to older workers who cannot find work, and may cancel out the money the government has saved on reduced pension payments.
- Greater supply of labour could put downward pressure on wages reducing real incomes for those already in employment and reducing consumption, reducing AD and growth

**Judgements might include:**

- Depends on number of people with a private pension.
- Depends on nature of jobs in the French economy.
- Depends on the number of 62- to 64-year-olds.
- Depends on changes in life expectancy.
- Depends on changes in immigration.
- Depends if new jobs are created

| |
|---|
| • Depends on the current levels of unemployment |

**34* Evaluate, using an appropriate diagram(s) and the information in Extract 2, the impact on the tourism market in Manchester of the introduction of a specific tax on providers of tourist accommodation.**

AO1 x 2, AO2 x 3, AO3 x 4, AO4 x 6

| Level / mark | Descriptor |
|---|---|
| **Level 3 (11-15 marks)** | **Good knowledge and understanding** of relevant economic idea(s), principle(s) or model(s).<br>**Good application** of economic concepts to the context and scope of the question, or some good use of data where appropriate.<br>**Strong analysis** of the question characterised by consistently well-developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis.<br>**Strong evaluation** of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement |
| **Level 2 (6-10 marks)** | **Good knowledge and understanding** of relevant economic idea(s), principle(s) or model(s).<br>**Reasonable application** of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate.<br>**Reasonable analysis** of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response<br>**Reasonable evaluation** of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement, |
| **Level 1 (1-5 marks)** | **Reasonable knowledge and understanding** of relevant economic idea(s), principle(s) or model(s).<br>**Limited application** of economic concepts to some elements of the given context and scope of the question. Use of data may be generic or irrelevant.<br>**Limited analysis** of the question characterised by reasoning that lacks a clear structure and / or does not address the question; simple statement(s) of cause and consequence; absence of relevant diagram(s) or diagram(s) which have errors / omissions that significantly affect the validity of the analysis.<br>**Limited evaluation** of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent, a stated judgement, or the absence of a judgement. |
| **0 marks** | Response is not worthy of credit |

**Question 34* Guidance**

The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation.

**Annotation**

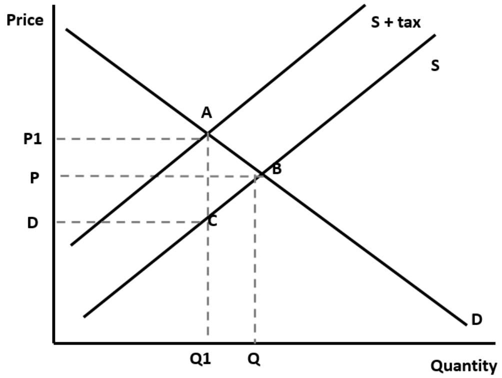
| | | |
|---|---|---|
| **Knowledge and Understanding** | KU | Grouped at end of response |
| **Application** | APP | End of response |
| **Analysis** | AN | Grouped beside the body of the analysis |
| **Evaluation** | EVAL | Grouped beside the body of the evaluation |

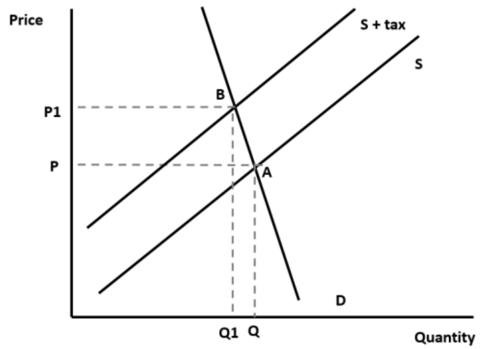
**Context (Extract 2):**

- Estimates suggest this tax could raise as much as £30 million
- Many countries across Europe already impose tourist taxes and other UK cities including Edinburgh, Bath and Oxford have considered introducing one.
- Tourists cause congestion on roads and public transport as well as generating waste that needs to be cleaned up
- locals were worried that it would reduce the number of visitors
- tax revenue could be used to 'improve the visitor experience' including being able to fund future events and festivals
- the £1 per night tax was not off-putting for visitors and is a small amount compared to that charged by other European cities
- In recent years there has been concern about falling numbers of tourists visiting the UK

**Question 34* Guidance continued**

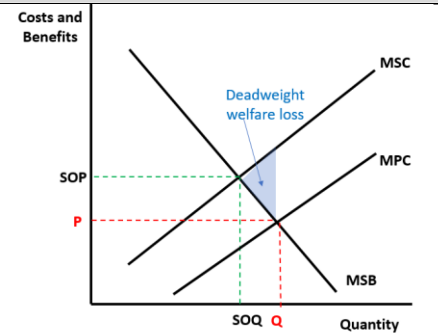
**Relevant Diagrams might include**

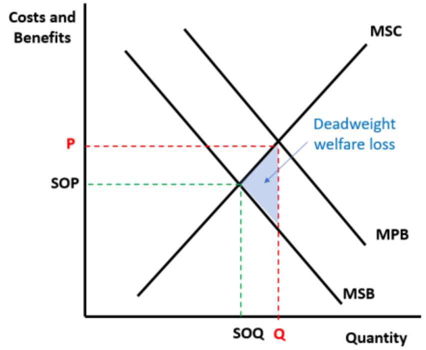



Credit candidates for explanation of externalities caused by tourists as either a negative externality in production or in consumption.

**Question 34* Guidance continued**



**Question 34* Guidance continued**

**Analysis might include:**

- Use of diagram: tax will increase costs to firms, supply curve shifts S to S1, demand contracts A to B. Price increases from P to P1, quantity falls from Q to Q1 reducing the number of visitors to the city and demand for tourist accommodation.
  - The tax is regressive. It takes a larger proportion from lower amounts. Therefore, it is likely to impact on budget hotels where demand is more elastic.

**Evaluation might include:**

- Government spending on visitor experience could increase demand for tourism in the future, shifting the demand curve outwards.
  - The tax revenue (P1, A, C, D) can be used to pay for the negative externalities caused by tourists such as congestion and waste. This reduces market failure and may make the city more attractive to tourists in the future.
  - If demand is price inelastic quantity of visits won’t fall significantly.

**Judgements might include:**

- Depends on if other UK and European cities also introduce a tax.
- Depends on how the amount of tax revenue raised and how it is spent.
- Depends on the type of hotel/venue eg. those used for work and leisure

| Question | | | Answer | Marks | Guidance |
|---|---|---|---|---|---|
| 35 | | | **Using the data in Fig. 2.1, explain what has happened to tourist revenues as a share of total exports in the UK from 2015 to 2018.**<br><br>*Award 1 mark for 2015:*<br>(£23 898 / £123 200) * 100 = 19.4%<br><br>*Award 1 mark for 2018:*<br>(£26 691 / £185 300) * 100 = 14.4%<br><br>*Award 1 mark for:*<br>Tourist revenue as a share of total exports has fallen.<br><br>*Award 3 marks for:*<br>Tourist revenue as a share of total exports has fallen by 5 percentage points.<br><br>Tourist revenue as a share of total exports has fallen by 25.8% | **3**<br>AO1 x 2<br>AO2 x 1 | Annotate with ✓<br><br>Accept 19% and 14%<br><br>If % missing from both data calculations only award one of the two calculation marks |

| Question | | | Answer | Marks | Guidance |
|---|---|---|---|---|---|
| 36 | | | **Explain, using the data in Fig. 3.1, whether the short run Philips Curve holds in France between 2017 and 2022.**<br><br>*Award 1 mark for:*<br>• Yes, it does hold<br><br>*Award 1 mark for:*<br>• Explanation – the unemployment rate has fallen, and the inflation rate has risen.<br><br>*Award 1 mark for:*<br>• Appropriate **use** of the data from 2017 and 2022:<br>Unemployment fell from 9% to 7.2%<br>Inflation rose from 1.2% to 5.9%<br><br>OR<br><br>*Award 1 mark for:*<br>• No, it does not hold for part of the data<br><br>*Award 1 mark for:*<br>• Explanation – between 2018 and 2020 both unemployment and inflation have fallen<br><br>*Award 1 mark for:*<br>• Appropriate **use** of the data from 2018 and 2020:<br>Unemployment fell from 8.8%, 8.2%, 7.9%<br>Inflation fell from 1.6%, 1.5%, 0% | **3**<br><br>AO2 x 3 | Annotate with ✓<br><br>Accept correct percentage change/percentage point changes as appropriate use of data |

**37* Evaluate, using an appropriate diagram(s) and the information in Extract 3, whether a monopolistic competition such as that which exists in the restaurant market in Paris can be efficient in the long run.**

AO1x1, AO2x1, AO3x2, AOx4

| Level / mark | Descriptor |
|---|---|
| **Level 2 (5-8 marks)** | **Good knowledge and understanding** of relevant economic idea(s), principle(s) or model(s)<br>**Good application** of economic concepts to the context and scope of the question, or some good use of data where appropriate.<br>**Strong analysis** of the question characterised by consistently well-developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis.<br>**Strong evaluation** of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement. |
| **Level 1 (1-4 marks)** | **Reasonable knowledge and understanding** of relevant economic idea(s), principle(s) or model(s)<br>**Reasonable application** of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate.<br>**Reasonable analysis** of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response.<br>**Limited evaluation** of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a stated judgement or the absence of a judgement. |
| **0 marks** | Response is not worthy of credit |

**Question 37* Guidance**

The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation.

**Annotation**

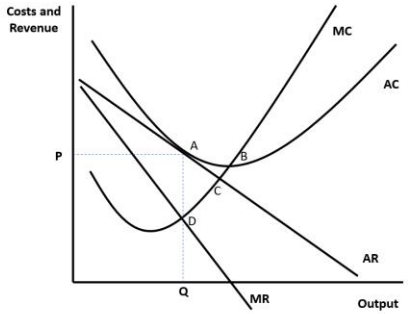
| | | |
|---|---|---|
| **Knowledge and Understanding** | KU | Grouped at end of response |
| **Application** | APP | End of response |
| **Analysis** | AN | Grouped beside the body of the analysis |
| **Evaluation** | EVAL | Grouped beside the body of the evaluation |

***Context (Extract 3)***

- There are over 44,000 restaurants in Paris
- not just traditional French cuisine but different food from all over the world. Restaurants range from the award winning and experimental to accessible street food.
- New restaurants open all the time and entry barriers are relatively low.
- The market is a tough one for entrepreneurs
- Research suggest up to 60% of new restaurants fail in their first year.

**Question 37* Guidance**

**Relevant Diagrams might include**




**Analysis might include:**

- In the long run firms will not be productively efficient as production does not take place at MC = AC (point B).
- In the long run firms will not be allocatively efficient as production does not take place at MC = AR (point C) or at Q P>MC point D.
- May not be dynamically efficient due to insufficient funds as SNP cannot be made in the long run.
- It will be difficult for firms to benefit from economies of scale.

| Question 37* Guidance |
|---|
| **Evaluation might include:**<br>• In the long run firms will be x efficient as if they produce at an AC above the curve at a quantity of Q they will make a loss.<br>• In the long run firms may be dynamically efficient as they have the incentive to reinvest supernormal profit made in the short run. (Short run diagram can awarded if used to support this point.)<br><br>**Judgements might include:**<br>• Firms are closer to productive and allocative efficiency in the long run than in the short run.<br>• It is the most statically efficient realistic market structure.<br>• The market in the long run will depend on how low the entry barriers are. Some entry barriers such as start-up costs and regulation will exist for opening a restaurant. |

**ASSESSMENT OBJECTIVES GRID**

| QUESTION | AO1 | AO2 | AO3 | AO4 | TOTAL | (Quantitative skills) |
|---|---|---|---|---|---|---|
| **SECTION A TOTAL** | **16** | **6** | **8** | **0** | **30** | **(15)** |
| **31** | 0 | 2 (2) | 0 | 0 | **2** | **(2)** |
| **32** | 1 (1) | 1 (1) | 2 | 0 | **4** | **(2)** |
| **33*** | 2 | 3 | 4 | 6 | **15** | |
| **34*** | 2 (2) | 3 (2) | 4 (2) | 6 (2) | **15** | **(8)** |
| **35** | 1 (1) | 2 (1) | 0 | **0** | **3** | **(2)** |
| **36** | 0 | 3 (2) | 0 | 0 | **3** | **(2)** |
| **37*** | 1 (1) | 1 (1) | 2 (1) | 4 (1) | **8** | **(4)** |
| **SECTION B TOTAL** | **7** | **15** | **12** | **16** | **50** | **(20)** |
| **PAPER TOTAL** | **23** | **21** | **20** | **16** | **80** | **(35)** |

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