AQA

GCSE
ECONOMICS
8136/2

Paper 2 How the economy works

Mark scheme

June 2019

Version 1.0 Final

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

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

Further copies of this mark scheme are available from aqa.org.uk

Level of response marking instructions

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

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

Step 1 Determine a level

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

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

Step 2 Determine a mark

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

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

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

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

KEY LIST
AO1 = 10

1	D	6	C
2	A	7	D
3	C	8	A
4	A	9	D
5	B	10	D

Qu	Part	Marking guidance	Total marks
11		State **two** causes of inflation.	2
		AO1 = 2 **Possible answers:** • Any factor that would lead to an increase in demand/spending in the economy • Any factor that would lead to a rise in the cost of production • Excessive growth in money supply (needs to have notion of excessive or fast increases) 1 mark for each cause identified – allow 2 demand factors or 2 cost factors	

Qu	Part	Marking guidance	Total marks
12		Explain **one** reason why the UK government may want to reduce a budget deficit.	2

AO1 = 2

Marks	Description
2	Reason explained for why budget deficits should be reduced.
1	Reason identified why budget deficits should be reduced but not explained.
0	Nothing written worthy of credit.

Possible answers:

- To avoid further borrowing by government as borrowing will mean more interest has to be paid.
- To avoid inflationary consequences of deficit as too much government spending/taxes being too low may result in inflation.
- To prevent national debt rising as the debt interest will mean future tax rises or spending cuts in later years.
- To maintain credit rating which means lower interest rates on national debt.
- To prevent future tax rises which will be needed to pay off the deficit in future years.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.

1 mark for relevant point + 1 for development.

Qu	Part	Marking guidance	Total marks
13		Explain why rapid economic growth may be harmful for individuals in an economy.	2
		AO1 = 2	

Marks	Description
2	Reason explained for why growth may be harmful for individuals.
1	Reason identified why growth may be harmful for individuals.
0	Nothing written worthy of credit.

Possible answers:

- Increased negative externalities (e.g. pollution or congestion) which result from higher economic activity as more output leads to more pollution/more output leads to more cars/vans on road.
- Depletion of natural resources as growth leads to using up of resources which may be non-renewable leading to higher prices or shortages.
- Higher inflation may result if growth is excessive or prolonged.
- Increased inequality as the growth may come from those earning high incomes whilst those on lower incomes or benefits see no/little change in their income levels.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.

1 mark for relevant point + 1 for development.

Qu	Part	Marking guidance	Total marks
14	1	Using **Table 2**, calculate the current account balance for 2018. Show your working.	2
		AO2 = 2	

- (in £billions): 35 – 47 + 3 – 5 = **£14 billion deficit** (accept minus sign) = 2 marks for correct answer (must specify nature of balance).
- If £12 billion deficit (or -£12 billion) appears explicitly in the workings or as the final answer then award 1 mark as this is the correct figure for the trade balance.
- 1 mark for correct calculation but nature of balance is unclear (just has correct number but no indication of deficit or surplus).

Qu	Part	Marking guidance	Total marks
14	2	Explain **one** reason why a government may aim for balance on the current account.	2

AO1 = 2

Marks	Description
2	Reason explained for aiming for balance on current account.
1	Reason identified for aiming for balance on current account.
0	Nothing written worthy of credit.

Possible answers:

- Might have to borrow money to finance deficit (if in deficit) as deficit means outflow of currency reserves.
- Might lead to downward pressure on exchange rate (if in deficit) due to outflow of pounds to buy imports.
- May indicate weakness of export performance (if in deficit) which could be harmful for output and/or employment in certain industries.
- Might indicate economic growth is too high (if in deficit) and could lead to inflation.
- Might indicate economic growth is too low (if in surplus) and could lead to higher unemployment.
- Might lead to rising exchange rate (if in surplus) which may lead to unemployment in export industries.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.

1 mark for relevant point + 1 for development.

Qu	Part	Marking guidance	Total marks
15	1	Using **Figure 1**, analyse the impact of the change in this exchange rate on UK producers.	6

AO2 = 2, AO3 = 4

Level	Marks	Description
3	5-6	A full analysis of the economic evidence, a well-developed and logical chain of reasoning.
2	3-4	An incomplete analysis of the economic evidence, starts to develop a chain of reasoning. Good application of knowledge and understanding of concepts/issues mostly relevant to the context.
1	1-2	Analysis of discrete points of the economic evidence with no chain of reasoning attempted. Basic application of knowledge and understanding of concepts/issues with limited relevance to the context.
	0	Nothing written worthy of credit.

Indicative content:

- Rising pound may lead to exports becoming uncompetitive and this leads to decline in volume of exports and rising unemployment/downward multiplier effects on export industries.
- Rising pound may lead to lower costs of production for firms that import which means that they can produce more for same cost/produce same amount for lower cost which may help them compete against firms that don't import.
- UK businesses may struggle to compete with cheaper imports as import prices fall making it hard for UK firms.
- Volatility of exchange rate may make business planning difficult as producers are unsure of prices they can purchase imports for or sell exports for which means lower business activity.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.
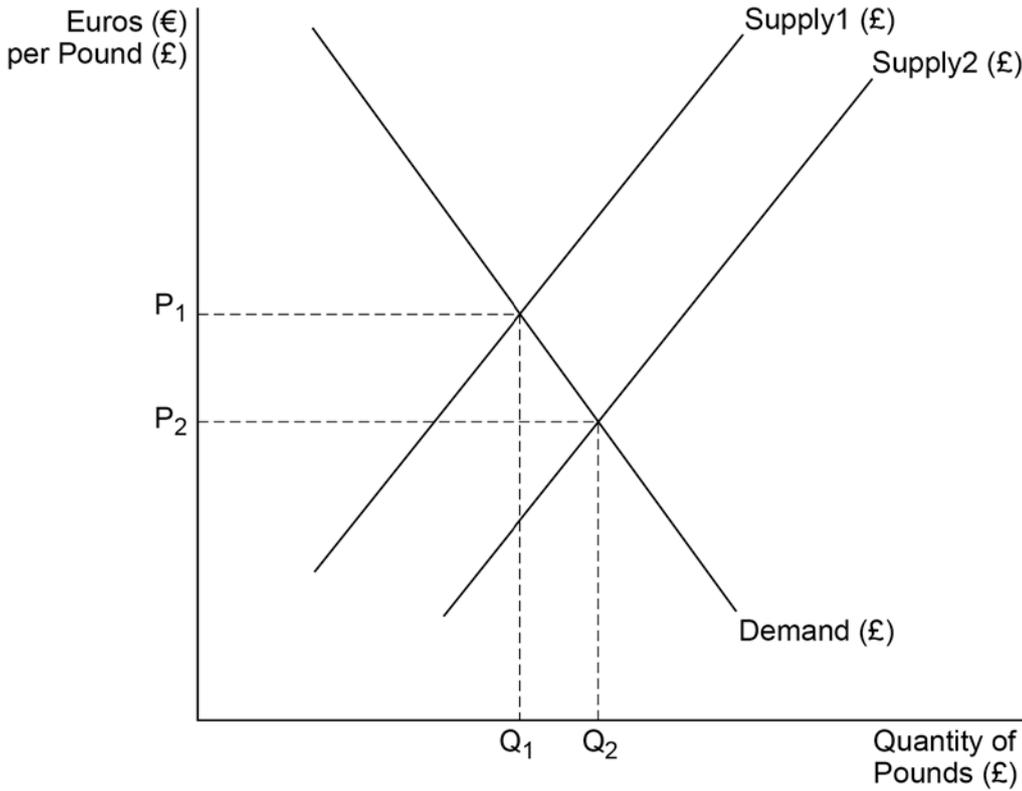
Qu	Part	Marking guidance	Total marks
16		State **two** functions of money.	2
		AO1 = 2 **Possible answers:** • Unit of account/Measure of value • Store of value • Standard of deferred payment • Medium of exchange (or anything relating to buying items) 1 mark for each function (with allowance for slight phrasing differences but watch out for those that mix two functions or use same function twice with each expressed differently).	

Qu	Part	Marking guidance	Total marks
17		Explain **one** reason why interest rates on mortgages are normally lower than interest rates on credit cards.	2
		AO1 = 2	

Marks	Description
2	Reason explained for interest rates being different.
1	Reason identified for interest rates being different.
0	Nothing written worthy of credit.

Possible answers:

• Banks can repossess property if mortgage payments are not met, thus mortgage is less risky for banks.
• Credit cards are unsecured which means they carry a higher rate to protect banks against the bigger risk they involve.
• House prices usually rise over long-term, leaving banks with asset that can be sold for more than its original cost, so banks can recover the value of the mortgage.
• Higher risk of default on credit cards as checks made by banks/lenders are unlikely to be as rigorous as those in obtaining a mortgage.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.

1 mark for relevant point + 1 for development.

Qu	Part	Marking guidance	Total marks
18		Explain **one** reason why income inequality occurs.	2

AO1 = 2

Marks	Description
2	Reason explained for income inequality occurring.
1	Reason identified for income inequality occurring.
0	Nothing written worthy of credit.

Possible answers:

- Regressive taxes mean that those on higher incomes pay less tax and their incomes don't fall as much once taxes are deducted.
- Taxes not progressive enough to counteract the differences in earnings which means that the taxes taken off higher income earners are not high enough to counteract rising incomes.
- Low levels of welfare benefits for low income earnings and unemployed which means that rises in income by higher earners outpace those on lower incomes.
- Education level inadequate/inconsistent which means that those unsuccessful in education cannot access high paying jobs.
- Differences in types of job or skills of workers.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.

1 mark for relevant point + 1 for development.

Qu	Part	Marking guidance	Total marks
19	1	Using **Table 3**, calculate the annual inflation rate at December 2018 to one decimal place. Show your working.	2

AO2 = 2

- **Answer: 6.1% - allow without percentage sign**
- 2 marks for correct answer
- Allow 6%, 6.10%, 6.11%, 6.108% etc. (i.e. incorrect rounding) (1 mark only)
- 1 mark for use of 154.6 as denominator but correct otherwise (gives an answer of 5.8%)

Qu	Part	Marking guidance	Total marks
19	2	Explain **one** reason why the UK government aims for a low inflation rate.	2

AO1 = 2

Marks	Description
2	Reason explained for aiming for low inflation.
1	Reason identified for aiming for low inflation.
0	Nothing written worthy of credit.

Possible answers:

- Menu costs which costs businesses in terms of updating menus, vending machines, price lists, etc.
- Shoe leather costs add to the search costs for individual and businesses looking for price comparisons.
- Uncompetitive exports which result if UK prices rise faster than foreign price levels.
- Uncertainty
- High interest rates needed to lower inflation which affects borrowers – which account for most people in the economy.
- There are other problems caused by higher inflation which should be credited.
- In addition, problems of deflation can also be used to explain why low inflation is preferred, e.g. deflation can lead to postponement of purchases as people wait for prices to fall further.
- Impact on cost of living.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.

1 mark for relevant point + 1 for development.

Qu	Part	Marking guidance	Total marks
20		On **Figure 2**, draw and label the effects on the exchange rate of increased UK imports from countries using the Euro.	3
		AO2 = 3 Possible answers will look something like the following: **Possible answers:** • A leftward shift in supply (Max 1 mark) • A rightward shift in supply (2 marks) • Showing on vertical axis accurate fall in exchange rate (1 mark) No marks for any shift in demand - even if labelled supply.	

Qu	Part	Marking guidance	Total marks
21.1		Using **Figure 3**, assess whether a government should always aim for low unemployment.	9

AO2 = 3, AO3 = 6

Level	Marks	Description
3	7-9	A fully justified conclusion with sustained evaluation, which is coherent and relevant, with judgements supported by evidence. A full analysis of the economic evidence, a well-developed and logical chain of reasoning. Comprehensive application of knowledge and understanding of pertinent concepts/issues relevant to the context; specialist language used throughout.
2	4-6	A partially justified conclusion with an evaluation, which is mostly coherent and relevant; judgements may not be fully supported by evidence. An incomplete analysis of the economic evidence; starts to develop a chain of reasoning. Good application of knowledge and understanding of concepts/issues mostly relevant to the context; specialist language used mostly appropriately.
1	1-3	A basic conclusion or assertion may be present based on evaluative judgements supported by little or no evidence. Analysis of discrete points of the economic evidence with no chain of reasoning attempted. Basic application of knowledge and understanding of concepts/issues with limited relevance to the context; may use non-specialist language.
	0	Nothing written worthy of credit.

Possible answers:

Governments should always aim for lower unemployment:
- Unemployment imposes costs on the individual – in terms of lower living standards, more likely to face poverty, ill-health, deskilling and spiral of joblessness.
- Unemployment imposes costs on the economy – in terms of higher welfare expenditure, lost potential output, lower tax revenue and deskilling of working population (where unemployment may become locked in as workers are more likely to become long-term unemployed)
- Maintaining full employment is one of the principal economic objectives of

		the government and is one way in which the government's success is judged. • Tax revenue will be boosted with positive effects elsewhere – lower tax rates, ability to fund higher government expenditure, reduce budget deficit • Inequality can be reduced as unemployment increases inequality and poverty within an economy Should not always aim for lower unemployment: • Difficult to reduce unemployment unless the correct cause(s) can be identified • May conflict with objective of achieving price stability (or low inflation) • Difficult to reduce unemployment once already low (as it is in 2017 onwards). • May be other priorities considered more important – balancing budget, reducing deficit on current account, reducing inequality (though this is linked to unemployment) **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	
4			

Qu	Part	Marking guidance	Total marks

22		Define globalisation.	2
		AO1 = 2	

Marks	Description
2	Clear definition of globalisation.
1	Partial or unclear definition of globalisation.
0	Nothing written worthy of credit.

Possible answers:

• Increasing economic integration or interdependence between national economies. (2)
• Increased connection between countries (1)
• More foreign trade (1)
• Growth of global brands (e.g. McDonalds) (1)

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.

Qu	Part	Marking guidance	Total marks
23		Using **Item A**, calculate GDP per capita in India for 2018 to the nearest US Dollar ($). Show your working.	3
		AO2 = 3 • 2300 x 1.067 = 2454.1 (1) / 1.2 (1) = **$2045** (1) • If answer not rounded but otherwise correct, award 2. • If per capita income for 2017 is correctly calculated ($1917) then award 1 • If per capita figure is correct based on incorrect GDP figure, then award 1	

Qu	Part	Marking guidance	Total marks
24		Using **Item B**, explain **two** factors that have contributed to increased globalisation.	6

AO2 = 6

Marks	Description
3	A full and precise explanation applying economic concepts and issues.
2	A partial explanation applying economic concepts and issues but lacking detail.
1	Fragmented points made.
0	Nothing written worthy of credit.

Possible answers:

- Cheaper or quicker transport e.g. containerisation has reduced the costs of production making international trade much more viable/made it easier to trade in goods that were not practical to send to other countries (e.g. foodstuffs).
- Improvements in technology have made it much easier to reach wider audiences, such as through miniaturisation or technology has made it more cost effective to transport goods to other countries or use of ecommerce makes it possible to sell goods easily.
- Better communication has made it easier/cheaper/quicker to reach customers and suppliers making it easier to access cheaper inputs into the production process or to allow customers to find alternatives to buying domestically.
- More free trade agreements have reduced trade protection which has made it more worthwhile to buy and sell goods with other countries by allowing countries to use their natural advantages in production.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.

Show marks for each of the two factors by using either ticks or numbers in comments box – 3 marks maximum for each effect.

Qu	Part	Marking guidance	Total marks
25		Using **Item A**, analyse the possible consequences of increased globalisation for producers in less-developed economies, such as India.	6

AO2 = 2, AO3 = 4

Level	Marks	Description
3	5-6	A full analysis of the economic evidence, a well-developed and logical chain of reasoning.
2	3-4	An incomplete analysis of the economic evidence, starts to develop a chain of reasoning. Good application of knowledge and understanding of concepts/issues mostly relevant to the context.
1	1-2	Analysis of discrete points of the economic evidence with no chain of reasoning attempted. Basic application of knowledge and understanding of concepts/issues with limited relevance to the context.
	0	Nothing written worthy of credit.

Possible answers:

- More competition for workers from MNCs which means there will be a shortage of labour/skilled labour and output will be restricted or wages rise pushing up costs of production.
- Difficulties in competing with larger MNCs (economies of scale) as larger firms can outcompete smaller businesses due to economies of scale caused by, say, the ability to utilise expensive technology, or hire better managers.
- Need to offer higher wages.
- Job opportunities may exist as the producers may be able to sell to other countries allowing them to expand as they will have a larger market to aim for.
- Ability to use technology or learn from MNCs – either formally or informally, local businesses may be able to copy better management techniques or use 'copycat' technology which increases their own efficiency.
- Multiplier effects (possibly) via supply chain as MNCS may demand intermediate output from local producers and the spending of those employed by MNCS will generate demand for local businesses.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.

Qu	Part	Marking guidance	Total marks
26		In the UK, some politicians claim that globalisation has been bad for the economy. Using **Items A and B**, discuss whether increasing globalisation is harmful for developed economies, such as the UK. Use your own economic knowledge to justify your answer.	15

AO2 = 5, AO3 = 10

Level	Marks	Description
5	13-15	A justified conclusion with sustained evaluation, which is coherent and relevant, with judgements fully supported by evidence. Analysis of a relevant selection of the economic evidence, with a well-developed logical chain of reasoning. Comprehensive application of knowledge and understanding of pertinent concepts/issues relevant to the context; effective use of specialist language maintained throughout.
4	10-12	A partially justified conclusion with an evaluation, which is mostly coherent and relevant; judgements may not be fully supported by evidence. Analysis of a relevant selection of the economic evidence; a logical chain of reasoning is established but not fully developed. Strong application of knowledge and understanding of a broad range of concepts/issues relevant to the context; mostly effective use of specialist language throughout.
3	7-9	A partially justified conclusion with an evaluation, but not integrated in a coherent way; judgements are not fully supported by evidence. Analysis of a relevant selection of the economic evidence and starts to develop a chain of reasoning. Good application of knowledge and understanding of a broad range of concepts/issues relevant to the context; consistent use of specialist language but not always effective.

2	**4-6**	A basic conclusion is present based on simple evaluative judgements supported by little or no evidence. Analysis of a relevant selection of the economic evidence with no chain of reasoning attempted. Simple application of knowledge and understanding of a narrow range of concepts/issues relevant to the context; sporadic use of specialist language.	
1	**1-3**	Evaluative judgements are simple with no conclusion present. Analysis of a limited selection of the economic evidence with no chain of reasoning attempted; selection of evidence may lack relevance. Basic application of knowledge and understanding of concepts/issues with limited relevance to the context; uses non-specialist language.	
	0	Nothing written worthy of credit.	

Indicative content:

- Outsourcing leading to job losses as firms will seek countries with lower wages to outsource production to enable them to profit from the savings but generating unemployment in the home country.
- Lower GDP as countries move to cheaper locations – if countries cannot hold on to their domestic businesses (often due to outsourcing or lower tax rates elsewhere) then there will be a negative effect on GDP and possible multiplier effects on the economy.
- Lower tax revenue as firms will look to move operations to countries with lower tax rates thus the tax base of the home country will be reduced due to legal tax avoidance.
- Wage pressure downwards due to inflow of labour – especially from low wage economies and this will mean the extra labour supply sees wages falling in the economy
- Cheaper goods and services for consumers as consumers can buy from a global market and this increased competition will mean consumers can demand lower prices (or simply buy from low-cost producing countries).
- Lower cost for business producers if they utilise cheaper imports or cheaper wages and this will enable them to expand profitably.
- Allows countries to specialise in their natural advantages – with lower trade barriers and easier trade due to transport/communication improvement, countries can specialise in their comparative advantages.
- Larger markets for businesses – exports contribute an increasing proportion to the UK's GDP.

Possible issues for evaluation include:

- There are always winners and losers in most changes – consumers often win but workers in 'threatened' industries may lose.

- People can win and lose at the same time – e.g. good for consumers but bad for workers.
- What's good for the economy is difficult to judge as there are lots of differently affected groups
- It may help achieve some but not all the principal economic objectives, eg leads to lower inflation but higher unemployment.
- It is difficult to turn back the clock – restricting globalisation would be difficult
- Attempt to protect an economy from globalisation may just result in retaliatory measures, thus cancelling out the benefits

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.