

GCSE ECONOMICS 8136/2

Paper 2 How the economy works

Mark scheme

June 2021

Version: 1.0 Final Mark Scheme



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 Examiner.

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.

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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, ie 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.

1	A – Where government expenditure is more than government revenue	6	A – Means of deferred payments.
2	D – Increase in training expenditure	7	B – Income tax.
3	A – Cyclical	8	D – Increase, Increase
4	C 4.1%	9	C – Increased tariffs and quotas on foreign trade.
5	B – Decrease, Increase	10	B – Decrease, Worsen

KEY LIST

Qu Part Marking guidance Total marks
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11	State two UK Government economic objectives.	2
	AO1 = 2	
	Possible answers:	
	 Maintaining full employment. Ensuring price stability. Achieving economic growth. Balance of payments – current account balance. Balancing budget/eliminating deficit. Reducing inequality. Managing environmental change. accept different phrasing for the above 	
	One mark for each correct response.	

Qu	Part		Marking guidance			
12		Explain o	one disadvantage of using supply-side policies.	2		
		AO1 = 2				
		Marks	Description			
		2	Disadvantage of supply-side policies explained.			
		1	Disadvantage of supply-side policies identified.			
		0 Nothing written worthy of credit.				
		PossibleVery loCan beCan with	e answers: ong-term in that they can take many years to be fully effective. e very expensive – such as investment in education or infrastructure. iden income inequality as they often result in less job protection for			
		workerDifficul	s. It to measure as the effects are not easily connected with the policy.			
		Note: Th should be	is indicative content is not exhaustive, other creditworthy responses e awarded marks as appropriate.			
		1 mark fo	or relevant point + 1 for development.			

Qu	Part		Marking guidance	Total marks
13		Explain c	one benefit of globalisation to producers from a developed economy.	2
		AO1 = 2		
		Marks	Description	
		2	Benefit of globalisation to producers explained.	
		1	Benefit of globalisation to producers identified.	
		0	Nothing written worthy of credit.	
	Possible answers:			
		• Access (1).	s to cheaper inputs (1) due to lower production costs in other countries	
		Access worker	s to larger numbers of potential workers (1) due to ability to recruit rs from other countries.	
		Ability	to offshore production (1) and reduce production costs (1).	
		 Larger 	market (1) due to ability to sell in multiple countries (1).	
		Note: Th should be	is indicative content is not exhaustive, other creditworthy responses e awarded marks as appropriate.	
		1 mark fo	or relevant point + 1 for development.	

Qu	Part	Marking guidance	Total marks
14	1	Table 2 shows balance of payments data for an economy.	2
		Using Table 2 , calculate the value of the balance of trade in \pounds billions.	
		 AO2 = 2 Trade balance + Primary income + Secondary income = Current account balance. So, Trade balance -1.2 + 2.8 = -14.6. Trade balance = -14.6 + 1.2 - 2.8 = -£16.2 billion or £16.2bn deficit. Two marks for correct answer. Allow -16.2 (i.e. missing £ or billions) as question asks for calculation in terms of £billions. One mark 16.2 or £16.2bn (ie no mention of it being a deficit). One mark for one error in calculation (eg -14.6 + 1.2 = -13.4, or -14.6 - 2.8 = -17.4) (but would need deficit or minus sign to qualify for this mark). 	

Qu	Part		Marking guidance	Total marks
14	2	Explain c the value	one reason why the value of a country's imports might be larger than of exports.	2
		AO1 = 2		
		Marks	Description	
		2	Reason explained for value of imports being larger than value of exports.	
		1	Reason identified for value of being imports being larger than value of exports.	
		0	Nothing written worthy of credit.	
		Possible	e answers:	
		 Foreigi UK gro High e Higher deman Tastes with UI Note: An 	n growth is low (1) leading to low demand for UK exports (1). owth is high (1) leading to high demand for imports (1). xchange rate (1) leading to low demand for exports. inflation/prices in UK (1) leading to low demand for UK exports/high ad for imports (1). and preferences may lead to preference for foreign goods compared K goods (1) (need reason why for second mark).	
		point for Note: Th should be 1 mark fo	most answers but is not necessary for credit. is indicative content is not exhaustive, other creditworthy responses e awarded marks as appropriate. or relevant point + 1 for development.	

Qu	Part			Marking guidance	Total marks
15		Analyse	how fisca	l policy can help a government achieve lower unemployment.	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.	
		Indicativ	/e conter	nt:	
		 Cuts in throug cyclica Gover jobs in educa Subside emplo Supply cuts caunemp for the spence makin further Note: The should be seen to be seen to	n tax/Incre h higher s al unemple nments c the publi tion, may dies for in yment op y-side (typ an create bloyment. se living o ling on inf g it easier to reach his indicat e awarde	ease in government spending can help lower unemployment spending generating more demand for workers – reducing oyment. an directly affect the unemployment rate by creating more ic sector. Expansion of public services, such as health and mean more jobs in those sectors. dustries may promote export growth and achieve portunities in those industries. be) fiscal policies to boost growth/lower unemployment. Tax incentives to work which reduces some frictional Cuts in welfare expenditure can create greater incentives on benefits to enter the jobs market. Trastructure can help reduce structural unemployment by for workers to move around the country or to commute jobs.	

Qu	Part	Marking guidance	Total marks
16		State two government policies used to correct market failure associated with positive externalities.	2
		AO1 = 2	
		Possible answers:	
		 Subsidies. Taxes on 'worse' substitutes. Advertising/information provision. Regulation to encourage/enforce consumption (must be clear that it is to increase consumption/production). Maximum prices. State provision. 	
		1 mark for each factor – watch out for ones which are similar, eg two types of tax – which would normally get only one mark.	

Qu	Part	Marking guidance	Total marks

17		Explain o	Explain one benefit of free trade for UK producers.		
		AO1 = 2			
	Marks Description				
		2	Benefit of free trade explained.		
		1	Benefit of free trade identified.		
		0	Nothing written worthy of credit.		
		Possible	answers:		
		 Cheap Larger More c No/red busines 	er imports (1) which can lead to lower costs for businesses (1). markets (1) for businesses to sell to in foreign countries (1). hoice of goods (1) due to fewer restrictions on trade (1). uced administrative barriers (1) meaning costs are lower for sses (1).		
		Note: Thi should be to be ass	is indicative content is not exhaustive, other creditworthy responses e awarded marks as appropriate. It doesn't have to mention UK for it umed it is referring to UK producers.		
		1 mark fo	r relevant point + 1 for development.		

Qu	Part		Marking guidance	Total marks
18		Explain o r	ne role of the Bank of England.	2
		AO1 = 2		
		Marks	Description	
		2	Role of Bank of England explained.	
		1	Role of Bank of England identified.	
	0 Nothing written worthy of credit.			
	Possible answers:			
		 Keeping Maintair Avoiding Financia Maintair Lender 	g inflation on target via MPC/interest rate changes. ning growth as long as inflation is kept on target. g recessions, via appropriate monetary policy. al stability – ensuring banking system is 'behaving'. ning integrity of banking and financial sector. of last resort.	
		Note: This should be 1 mark for	s indicative content is not exhaustive, other creditworthy responses awarded marks as appropriate. relevant point + 1 for development.	

Qu	Part	Marking guidance	Total marks
19	1	An individual decides to open a savings account with a deposit of £8000. The annual interest rate paid on these savings is 1.2%. If they close the account after nine months, calculate how much interest they would receive on their account.	2
		AO2 = 2 Answer: £8000 x 1.2% = £96 (1) x 9/12 = £72 (1) 1 mark for calculating annual interest. 1 mark for calculating ³ / ₄ of one year's interest (OFR). Note: If an answer calculates compound interest, then reward if correctly calculated.	

Qu	Part	Marking guidance	Total
			marks

19	2	Explain o i	Explain one effect of a fall in interest rates on UK producers.			
		AO1 = 2				
		Marks Description				
		2	Effect of fall in interest rates on UK producers explained.			
		1	Effect of fall in interest rates on UK producers identified.			
		0	Nothing written worthy of credit.			
		Possible answers:				
		• Likely to lead to rising sales for producers (1) as households are likely to spend more of their income (1).				
		 Business costs will fall (1) and profits will rise (1). Borrowing is cheaper (1) encouraging more investment or expansion opportunities (1). 				
		 Consumer spending will rise (1) sale of luxury goods increases (1). Exchange rate likely to fall (1) making it easier to export goods from UK (1). Exchange rate likely to fall (1) making imported goods more expensive for producers (1). 				
		Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate. Assume UK consumers unless clearly not the case.				

Qu	Part	Marking guidance	Total marks
20 20	1	 Figure 2 shows the US Dollar (\$) to the British Pound (£) foreign exchange market. On Figure 2, draw a supply and demand diagram, and label the effects on the exchange rate of increased UK exports to the USA. 	3
		 AO2 = 3 US Dollars (\$) per Pound (£) P₂ P₁ P₂ P₁ Q₁ Q₂ Quantity of Pounds (£) Possible answers: Correct drawing of original equilibrium but no further adjustment (max 1 mark). A leftward shift in demand in additional to original equilibrium (max 1 mark). A leftward shift in demand (2 marks). Showing on vertical axis accurate rise in exchange rate and correct rightwards shift in demand (3 marks). No further marks for any shift in supply - even if labelled demand. Note: The answer could use numbers or letters (as shown here) on each axis when plotting equilibria – either approach is fine, though something must appear here on both axes for 3 marks. 	

Qu	Part			Marking guidance	Total marks
21		Using Fi the exch Justify ye	gure 3 , a ange rate our answe	ssess whether people in the UK benefitted from changes in between 2016 and 2019. er.	9
		AO2 = 3	, AO3 = 6		
		Level	Marks	Description	
		2	7–9 4–6	 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. 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 Yes, pec • Those • More j • Multip	e answer ople have employe obs avail	s: benefited from a low exchange rate: d in export industries may find incomes rising. able for those in export industries. s of growth in export industries.	

 No, people have not benefited from a low exchange rate: Goods relying on imports are likely to be more expensive. Travelling abroad/holidaying abroad now more expensive. Inflationary consequences of higher priced imports. 	
 Possible; evaluation issues: Winners and losers – largely depend on who the person is. Less affected if they don't work in export industries/buy imports. Depends on size/duration of fall. Likely that people will both win and lose at the same time. 	
Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

Qu	Part		Marking guidance	Total marks			
22		Define th	e term cost-push inflation.	2			
		AO1 = 2					
		Marks	Description				
		2 Clear definition of cost-push inflation.					
		1 Partial or unclear definition of cost-push inflation.					
		0 Nothing written worthy of credit.					
		Possible An increa (1) Note: Th should be	e answers: ase in the level of prices (1) caused by rises in the costs of production is indicative content is not exhaustive, other creditworthy responses e awarded marks as appropriate.				

Qu	Part	Marking guidance	Total marks

23	Using Table 3 in Item A calculate the percentage change in the UK's GDP per capita from 2011 to 2016. Give your answer to 1 decimal place.	3
	 AO2 = 3 GDP per capita in 2011 = £1 660 000m/63m = £26 349 (1). GDP per capita in 2016 = £1 995 000m/65m = £30 692 (1). % change = £30 692 - £26 349)/£26 349 x 100 = 16.5% (1). Not rounded to one decimal place but otherwise correct (eg 16.48%) (2). One mistake made in either per capita calculation but otherwise correct (2). Percentage change made correctly based on two incorrect figures (1). Correct answer of 16.5% (3 marks). 	

Qu	Part		Marking guidance				
24		Using Ite	Jsing Item A explain two consequences of inflation for people in the UK.				
		AO2 = 6	NO2 = 6				
		Marks	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 Declini spendi Uncerta work to rate wf Higher genera interes Fiscal of terms a band. Shoe le difficult researd Effects compe Note: Th should be Apply the for each of 	ng real incomes – if nominal wages do not rise which means lower ng power for individuals. ainty created. It becomes hard for people and the businesses they o plan ahead for if prices are rising. No prices will rise at the same nich makes it hard for people and businesses to budget. interest rates needed to reduce inflation. Higher interest rates the consequences for individuals, such as a higher cost of meeting t on any debts and higher mortgage repayments. drag. People may see earnings rise in nominal terms but not real and find their higher nominal incomes drag them into a higher tax eather costs. Inflation means that prices are changing and it may be t for individuals to keep track of prices. Time and money will be spent ching prices and this represents a cost for individuals. • on those owning and working in businesses – menu costs, loss of titiveness.				

Qu	Part			Marking guidance	Total marks	
25		Using Item B , analyse possible benefits to the government of low unemployment.				
		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 concents/issues with limited relevance to the context		
			0	Nothing written worthy of credit.		
		 Possible Higher people spend VAT. Lower unempthese Faster be procontriber of the procontribution of the procontriber of the procontribution of the procontributic of the procontributic of the procontribution of the procontre	e answer r tax reve e be work ing and th Corporati need for oloyment benefits. r economi oducing ou oution to (e people a ore mano nd-side ar ilso make r spending e spending ructure, o	s: nue will be received by the government as not only will more ing and paying income tax, there will be more people his will generate tax receipts from indirect taxes, such as on tax revenues may also rise. government spending on welfare. Welfare payments include benefits. Lower unemployment means less spending on c growth. If more people are working then more people will utput and generating incomes. This will mean the GDP will be increased, thus boosting economic growth. are working and tax revenue increases, then the government eeuvring ability to cut taxes elsewhere. This will have both nd supply-side benefits that should improve the economy the government more popular). g on welfare and higher tax revenues will make it easier to ag on other projects (eg public services). The government provement to its own budget position to finance spending on or merit goods.		
		Note: Th should b	nis indicat e awarde	ive content is not exhaustive, other creditworthy responses d marks as appropriate.		

Qu	Part	Marking guidance			
26		Was the Use Iten	UK econ	omy performing better than the French economy in 2019? B and your own economic knowledge to justify your view.	15
		AO2 = 5	, AO3 = 1	0	
		Level	Marks	Description	
				A justified conclusion with sustained evaluation, which is coherent and relevant, with judgements fully supported by evidence.	
		5	13–15	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.	
				A partially justified conclusion with an evaluation, which is mostly coherent and relevant; judgements may not be fully supported by evidence.	
		4	10–12	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.	
				A partially justified conclusion with an evaluation, but not integrated in a coherent way; judgements are not fully supported by evidence.	
		3	7–9	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.	
				A basic conclusion is present based on simple evaluative judgements supported by little or no evidence.	
		2	4–6	Analysis of a relevant selection of the economic evidence with no chain of reasoning attempted.	

		narrow range of concepts/issues relevant to the context; sporadic use of specialist language. 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
1	1-3	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.
Indicativ	ve conten	it:
 MNCs Econo Frencl perfort demar Inflatio higher the ec Unem A key More p GDP b Issues a Growt genera unemp Inflatio fewer Unem tax rev means Simila distrib 	blocated in bmic growth h growth t mance as and for wor on is higher inflation r onomy's r ployment indicator of people wo bout also ta bout Fran h is higher ate more of ployment on is lower problems ployment venues ar s less can r income p uted.	h the UK. th was lower in 2019 than in previous years and lower than hroughout – this is a major indicator of economic it links to higher incomes for the population and creates the kers to produce output. er than in France. There are problems associated with a rate, such as declining export competitiveness that will affect hational income and job creation potential. rate has fallen and is less than half the rate of France. of people's wellbeing is the number of people unemployed. orking will mean higher incomes earned which contributes to ax revenue and reduced need to spend on welfare. <i>ce's economic performance:</i> r than in UK which means more is being produced that will demand for goods and services and rising incomes and lower (though jobs appear to be harder to find in France). r than in UK, which may mean the French economy has caused by inflation, such as menu costs and uncertainty. is much higher in France which normally means government e lower and government spending on welfare higher which be spent on other areas to improve the economy. per capita as UK – though we do not know how income is

Issues for evaluation
 France seems to be performing better on two of the main economic objectives of governments (economic growth and inflation) but less well on unemployment. The gap in performance is narrow – except on the measure of unemployment, where the UK is performing significantly better. Judging on one year's data is difficult as it is the general trend or direction in the movement of these variables that may provide an insight into which is performing better (eg if unemployment was still higher but falling rapidly then this may be seen as a sign of good performance). Other measures of economic performance are not mentioned/included, such as the performance on the current account, or the government's budget balance.
Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.