GCSE
ECONOMICS
8136/2

Paper 2 How the economy works

Mark scheme

June 2020

Version: 1.0 Final Mark Scheme

206G8136/2/MS

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.

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

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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.

KEY LIST

1	B – (Interest rates)	**6**	A – (6.8%)
2	D – (Value of imports is less than the value of exports)	**7**	B – (Central bank)
3	C – (Seasonal)	**8**	A – (Increased UK exports)
4	B – (Lower unemployment)	**9**	B – (Lower exchange rate)
5	A – (Decrease/Decrease)	**10**	C – (Increase/Decrease)

Qu	Part	Marking guidance	Total marks
11		State **one** example of a direct tax and **one** example of an indirect tax both used in the UK.	2
		AO1 = 2 **Possible answers:** Direct taxes • Income tax • Corporation tax • Capital gains tax • Inheritance tax • National insurance contributions (allow) Indirect taxes • Value added tax (allow VAT) • Customs duties • Excise duties 1 mark for each cause identified – don't credit if categorised under wrong type. Be alert to ones not included in the above lists that are still correct.	

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>12</td><td></td><td>Explain one way a fall in the UK exchange rate might affect UK businesses.</td><td>2</td></tr>
<tr><td></td><td></td><td>AO1 = 2

<table><tr><th>Marks</th><th>Description</th></tr><tr><td>2</td><td>Effect of exchange rate fall on UK businesses explained.</td></tr><tr><td>1</td><td>Effect of exchange rate fall on UK businesses identified.</td></tr><tr><td>0</td><td>Nothing written worthy of credit.</td></tr></table>
Possible answers:

• Production costs are increased due to higher import prices.
• Higher sales volume due to exports being more price competitive.
• UK businesses can increase the UK selling price without raising price in foreign currency terms.
• UK businesses can cut selling price abroad without reducing profit margin.

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

1 mark for relevant point + 1 for development.</td><td></td></tr>
</table>

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>13</td><td></td><td>Explain one cause of economic growth.</td><td>2</td></tr>
<tr><td></td><td></td><td>AO1 = 2

<table><tr><th>Marks</th><th>Description</th></tr><tr><td>2</td><td>Cause of economic growth explained.</td></tr><tr><td>1</td><td>Cause of economic growth identified.</td></tr><tr><td>0</td><td>Nothing written worthy of credit.</td></tr></table>
Possible answers:

• Increase in quantity of factors of production (eg increase size of labour force) which increases productive capacity of the economy.
• Increase in productivity of factors of production (eg advances in technology) which increases the productivity capacity of the economy.
• Increase in productive capacity (eg more business start-ups) which means more can be produced over a year/time period.
• Any expansionary policy change (eg cut in interest rates, lower taxes, etc.) which will increase spending/economic growth.
• Answers which indirectly link to the multiplier effect – eg people are better off and start to buy more – may be worth 1 mark but only worth 2 marks if the cause of the initial rise in spending/income is identified.

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

1 mark for relevant point + 1 for development.</td><td></td></tr>
</table>

Qu	Part	Marking guidance	Total marks
14	1	Using **Table 2**, calculate GDP per capita for 2019 to the nearest £. Show your working.	2
		AO2 = 2 • Population in 2019: 30m x 1.02 = 30.6m (1) • GDP per capita in 2019 = £900m/30.6m = £29 412 (2) • 1 mark for 1 mistake in calculation but otherwise correct number and nature of balance. • 1 mark for correct calculation but rounding is incorrect or scale of answer is out by a factor of 10 (eg answer of £2941 or £294 118) • 1 mark for calculation of GDP per capita without population change (£30 000)	

Qu	Part	Marking guidance	Total marks
14	2	Explain **one** benefit of economic growth.	2
		AO1 = 2 **Marks** / **Description** **2** – Benefit of growth explained. **1** – Benefit of growth identified. **0** – Nothing written worthy of credit. **Possible answers:** • Incomes will rise and standard of living will improve. • More demand for output and this may mean a fall in unemployment. • Likely to be increased tax revenue which can be used by the government in a variety of ways (eg deficit reduction, higher public spending, etc.) • Less need for spending on unemployment benefits. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate. 1 mark for relevant point + 1 for development.	

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>15</td><td></td><td>Using Figure 1, analyse how the government might correct the market failure caused by too much consumption of ‘junk’ food.</td><td>6</td></tr>
<tr><td></td><td></td><td>AO2 = 2, AO3 = 4

<table>
<tr><th>Level</th><th>Marks</th><th>Description</th></tr>
<tr><td>3</td><td>5–6</td><td>A full analysis of the economic evidence, a well-developed and logical chain of reasoning.</td></tr>
<tr><td>2</td><td>3–4</td><td>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.</td></tr>
<tr><td>1</td><td>1–2</td><td>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.</td></tr>
<tr><td></td><td>0</td><td>Nothing written worthy of credit.</td></tr>
</table>

Indicative content:

• Taxing ‘junk food’ may lead to less of it being consumed due to it being more expensive and the tax revenue raised could be used in other ways – such as advertising on the dangers of obesity, etc.
• Subsidising healthy alternatives (eg fruit and vegetables, low sugar drinks) will make them cheaper. This may mean more of them are consumed instead of the relatively expensive ‘bad’ option.
• Advertising on the dangers of overconsumption of junk food can make people aware of the dangers and reduce consumption (ie this corrects information failure – though this is not a term that we would expect to see being used at GCSE level).
• Restrictions may be placed on the consumption of certain foods. This could be related to where and when they are sold and to whom. For example, a ban on fast food outlets near schools could be put in place. Alternatively, a restriction on the content of the foods may be put in place – eg restricting certain types of ingredients, etc.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</td><td></td></tr>
</table>

Qu	Part	Marking guidance	Total marks
16		State **two** factors that influence the level of interest rate charged by banks when lending money to businesses.	2
		AO1 = 2 **Possible answers:** • Length/size of loan • Security offered • Past record of repayments • Other interest rates – eg Bank of England's Base rate • Risk of default • Economic conditions – ie is business failure more likely in general 1 mark for each factor – watch out for ones which are similar, based on variations of the same factor (eg short period and long period of term)	

Qu	Part	Marking guidance	Total marks
17		Explain **one** benefit of free trade for people in the UK.	2
		AO1 = 2 **Marks** / **Description** **2** – Benefit of free trade explained **1** – Benefit of free trade identified. **0** – Nothing written worthy of credit. **Possible answers:** • Access to cheaper goods from other countries because of lower production costs in other countries. • Wider variety of goods as foreign markets can provide goods which are of better quality than those produced domestically. • More jobs available domestically as free trade may boost exports. • More competition provided by foreign companies which leads to lower prices and/or higher quality of goods. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate. 1 mark for relevant point + 1 for development.	

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>18</td><td></td><td>Explain one function of money.</td><td>2</td></tr>
<tr><td></td><td></td><td>AO1 = 2

<table>
<tr><th>Marks</th><th>Description</th></tr>
<tr><td>2</td><td>Function of money explained</td></tr>
<tr><td>1</td><td>Function of money identified.</td></tr>
<tr><td>0</td><td>Nothing written worthy of credit.</td></tr>
</table>

Possible answers:

• Medium of exchange – it allows trade to take place without the need for barter and avoids the double-coincidence of wants.
• Store of value – money does not have to be spent now as it will hold its value and can be used at any later date.
• Unit of account – it gives a standard way of measuring value which allows comparisons between goods to be made clearly.
• Standard of deferred payment – makes debt work as the lending and repayment are all made using the same unit of value.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate. The exact phrasing does not have to be present, eg medium of exchange can be explained well without using the phrase ‘medium of exchange’ (though this approach will not be commonplace).

1 mark for relevant point + 1 for development.</td><td></td></tr>
</table>

Qu	Part	Marking guidance	Total marks
19	1	Using **Table 3**, calculate the number of unemployed people. Show your working.	2
		AO2 = 2 • **Answer: 2.6 million** • 40.0 million x 6.5% • 2 marks for correct answer • 1 mark for correct method but incorrect answer • 1 mark for answer that is out by a scale of 10 (ie 260 000 or 26 million)	

Qu	Part	Marking guidance	Total marks
19	2	Explain what is meant by cyclical unemployment.	2
		AO1 = 2 **Marks** / **Description** 2 – Cyclical unemployment clearly explained. 1 – Cyclical unemployment partially explained. 0 – Nothing written worthy of credit. **Possible answers:** • Joblessness caused by the level of spending in the economy being too low to generate the demand for workers. • Unemployment is where people who are seeking work cannot find a job. • Where the economy is in recession and spending is low and workers are not needed. • Jobs are harder to find due to lower consumption. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

Qu	Part	Marking guidance	Total marks
20		Using **Figure 2**, describe the change in the average level of prices over the time period shown.	3
		AO2 = 3 **Possible answers:** • Price level rises (or at least does not fall) throughout the period. • Rate of increases in price level was highest in 2012 or 2017 • Price level was stable in 2015 – inflation was zero. • Rate of increase in price level decreases after 2012 • Rate of increase in price level increases after 2015 NB: Points must refer to prices/price level rather than just inflation. Be wary of answers that do not refer to prices and just comment on the graph as changes in inflation.	

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>21</td><td></td><td>Using Figure 3, assess whether a budget surplus would be good for the UK economy.</td><td>9</td></tr>
<tr><td></td><td></td><td>AO2 = 3, AO3 = 6
<table>
<tr><th>Level</th><th>Marks</th><th>Description</th></tr>
<tr><td>3</td><td>7–9</td><td>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.</td></tr>
<tr><td>2</td><td>4–6</td><td>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.</td></tr>
<tr><td>1</td><td>1–3</td><td>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.</td></tr>
<tr><td></td><td>0</td><td>Nothing written worthy of credit.</td></tr>
</table>
Possible answers:

Budget surplus would be good for the economy:
• Would eventually mean taxes could be lower as interest payments would eventually fall as future borrowing was minimised.
• Spending on other areas of priority could be increased without the need for tax rises – data shows that the amounts spent on interest payments is significantly high (over £40 billion).</td><td></td></tr>
</table>

		• Might lead to lower inflation – due to less demand-pull pressure on prices if the government is spending significant amounts (or taxes are too low and lead to higher consumption which may also lead to demand-pull inflation). Budget surplus would not be good for the economy: • Would require tax rises or government spending reductions to achieve. • A budget surplus might conflict with other objectives – economic growth and low unemployment if it needs tax rises and government spending cuts in order to achieve the goal. • The cuts in government spending needed to achieve a surplus may mean significant effects on people's standard of living – especially, the poor if the cuts affect benefits or services used by the poor (eg state health and education). • May take a long time to achieve. • If tax rises are needed, this may have negative effects on the supply-side of the economy. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

Qu	Part	Marking guidance	Total marks
22		Define progressive taxation.	2
		AO1 = 2 **Marks** / **Description** **2** – Clear definition of progressive taxation. **1** – Partial or unclear definition of progressive taxation. **0** – Nothing written worthy of credit. **Possible answers:** • Those on higher (lower) incomes pay a higher (lower) proportion of their income in tax (2) • Higher (lower) income earners pay (less) more tax (1) **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

Qu	Part	Marking guidance	Total marks
23		A person earns an annual income of £28 000 from working in 2019–2020. Using **Table 4** in **Item A**, calculate this person's income after tax. Show your working	3
		AO2 = 3 • Taxable income = £28 000 – £12 500 = £15 500 (1). • Tax = 20% x £15 500 = £3100 (1) • Income after tax = £28 000 – £3100 = **£24 900** (1) • Correct calculations based on no tax-free band, ie £28 000 x 20% = £5600 (1), giving answer of £28 000 – £5600 = £22 400 (1) (2 overall)	

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>24</td><td></td><td>Using Item A, explain two ways supply-side policies may reduce unemployment.</td><td>6</td></tr>
<tr><td></td><td></td><td>AO2 = 6

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

Possible answers:

• Improvements to education/training will mean people are more able to switch between jobs and therefore are less likely to be structurally unemployed.
• Improvements to transport will reduce regional unemployment as it will make it easier for workers to commute longer distances and will mean more vacancies are filled.
• Lower taxes on working will reduce frictional unemployment as it increases the attractiveness of working and will reduce the likelihood of people remaining out of work longer whilst ‘waiting’ for a higher paid job.
• Better information about job vacancies will reduce frictional unemployment as it will mean it is easier to find jobs that are right for the individual.
• Reduced trade union powers will make it easier for firms to employ more workers. Reduced powers may make it easier to recruit but also lose workers when needed which would encourage them to take on workers in the first place. In addition, reduced trade union powers will be likely to lead to less upward pressure on wages which makes it cheaper to employ workers and therefore makes it more likely that workers would be able to find employment.

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

Apply the levels of response mark scheme to each way – 3 marks maximum for each way.</td><td></td></tr>
</table>

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>25</td><td></td><td>Using Item B, analyse possible consequences of an increase in income inequality.</td><td>6</td></tr>
<tr><td></td><td></td><td>AO2 = 2, AO3 = 4

<table>
<tr><th>Level</th><th>Marks</th><th>Description</th></tr>
<tr><td>3</td><td>5–6</td><td>A full analysis of the economic evidence, a well-developed and logical chain of reasoning.</td></tr>
<tr><td>2</td><td>3–4</td><td>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.</td></tr>
<tr><td>1</td><td>1–2</td><td>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.</td></tr>
<tr><td></td><td>0</td><td>Nothing written worthy of credit.</td></tr>
</table>

Possible answers:

• Increases in poverty. Rising income inequality will mean that those on lower incomes fall behind and into poverty. This may mean that they cannot afford the goods and services that would enable them to enjoy a reasonable standard of living.
• Increases in social problems. Rising inequality is likely to lead to issues where people feel excluded from society and this may lead to unrest and there is a tenuous link with rising crime levels.
• Increases in health issues. Those on lower incomes are likely to suffer from relatively poor health as they cannot access better diets, access to healthier lifestyles and are more likely to suffer from information failure and make wrong lifestyle choices.
• Lack of access to housing market. House prices will become unaffordable for those on lower incomes as income gaps widen. This will make it very difficult for those in poverty to get on the housing ladder.
• Increasing unemployment. Those with low incomes and belonging to families with low incomes may struggle to do as well in gaining jobs. They are likely to perform less well in education.

Note: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.</td><td></td></tr>
</table>

<table>
<tr><th>Qu</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>26</td><td></td><td>“The use of supply-side policies by the government does not benefit everyone in the UK”.

Using Items A and B and your own economic knowledge, discuss whether the UK government should continue to implement supply-side policies to reduce unemployment. Justify your view.</td><td>15</td></tr>
<tr><td></td><td></td><td>AO2 = 5, AO3 = 10

<table>
<tr><th>Level</th><th>Marks</th><th>Description</th></tr>
<tr><td>5</td><td>13–15</td><td>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.</td></tr>
<tr><td>4</td><td>10–12</td><td>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.</td></tr>
<tr><td>3</td><td>7–9</td><td>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.</td></tr>
<tr><td>2</td><td>4–6</td><td>A basic conclusion is present based on simple evaluative judgements supported by little or no evidence.</td></tr>
</table>
</td><td></td></tr>
</table>

		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:

Arguments in favour:

- Should be able to reduce unemployment. Supply-side policies should allow unemployment to be lowered – especially those types of unemployment that are not related to spending within the economy.
- Lower unemployment is one of the principal economic objectives of the government. This is because of the desirable consequences of lower unemployment – rising living standards, lower welfare spending needed, higher tax revenue, etc.
- Monetary policy/Fiscal policy may only work on cyclical unemployment and other policies are necessary to further reduce unemployment.
- Supply-side policies do not conflict with many other policy objectives. They allow unemployment to fall without leading to rises in demand-pull inflation.

Arguments against:

- Some unemployment may be cyclical and best solved through other policies. Cyclical unemployment cannot be reduced through supply-side policies so that would make them no use for this type of unemployment.
- Supply-side policies can lead to lower incomes for those on low paid jobs. These policies often take away the rights of workers by making labour markets more flexible. As a result, workers will find it harder to bargain for higher wages. The minimum wage would probably not rise as quickly as part of a supply-side policy (though this is debatable).
- Working conditions may be worsened. Supply-side policies often take away the protection given to workers in terms of contract of employment, permanent contracts, etc. As a result, workers will suffer.
- Some supply-side policies are expensive. Improvements to education and infrastructure are both supply-side policies but are also very expensive to implement.

		• They take a long time to work. Often, they take many years to fully implement and for them to work. Possible issues for evaluation include: • Improvements to infrastructure and education will not negatively impact on too many people – but are expensive. • Although there are negative effects on workers of supply-side policies, there is clear evidence that it does lead to a lower level of unemployment. • It is not easy to decide which is better – low paid jobs that are easy to find, or well paid jobs that are scarce. • There are always winners and losers. • Supply-side policies have fewer trade-offs and conflicts with other policies. • A combination of economic policies – supply-side with monetary and fiscal policy will be needed to achieve all the government's economic objectives. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	