GCSE
ECONOMICS
8136/2

Paper 2 How the Economy Works

Mark scheme

June 2023

Version: 1.0 Final

2 3 6 G 8 1 3 6 / 2 / M S

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.

KEY LIST

01	B – Where government revenue is greater than government expenditure	**06**	B – Increased UK economic growth
02	C – Increasing interest rates	**07**	B – Frictional
03	B – 1.1%	**08**	C – Increase, Decrease
04	C – Store of value	**09**	D – Increased UK imports from the USA
05	C – Decreased unemployment benefits	**10**	A – £1.4 million deficit

Qu	Part	Marking guidance	Total marks
11		State **two** factors that may influence the rate of interest charged by banks lending money.	2
		AO1 = 2 **Possible answers include:** • Bank of England's 'base rate' • amount borrowed • length of loan period • inflation • security/collateral offered • existing debt level of customer • credit score of customer or income/employment status of customer.	

<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 benefit of increasing taxation rates for an economy.</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>Benefit of increasing taxation rates explained.</td></tr><tr><td>1</td><td>Benefit of increasing taxation rates identified.</td></tr><tr><td>0</td><td>Nothing written worthy of credit.</td></tr></table>
Possible answers include:

• to generate government revenue
• reduced inflation
• reduced budget deficit
• can be used to correct negative externalities/market failure
• can be used to reduce inequality (ie via progressive taxation)
• reduced current account deficit.

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>13</td><td></td><td>Explain one factor that may contribute to the growth of globalisation.</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>Factor contributing to increased globalisation explained.</td></tr><tr><td>1</td><td>Factor contributing to increased globalisation identified.</td></tr><tr><td>0</td><td>Nothing written worthy of credit.</td></tr></table>
Possible answers include:

• improved transportation
• improved communication
• reduced trade barriers
• growth of multinational companies
• other technological advance.

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
14	**1**	Using **Table 3**, calculate the unemployment rate to **one** decimal place. Show your working.	2
		AO2 = 2 **Answer:** • unemployment rate = unemployment level/labour force x 100 • unemployment rate = (33.5m – 31.8m)/33.5m x 100 • answer = 5.1%. Two marks for correct answer. One mark for partial calculation (eg use of wrong denominator, or incorrect calculation of unemployment). One mark if not rounded correctly. No marks for calculation of unemployment level alone (33.5m – 31.8m = 1.7m) Percentage sign is not needed.	

Qu	Part	Marking guidance	Total marks
14	**2**	Explain **one** possible consequence for UK businesses of increased UK unemployment.	2
		AO1 = 2 **Marks** / **Description** **2** – Consequence for UK businesses of increased unemployment explained. **1** – Consequence for UK businesses of increased unemployment identified. **0** – Nothing written worthy of credit. **Possible answers include:** • falling sales • increase in demand for 'inferior'/budget products • easier to find/recruit workers • less requirement to increase wages. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

<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 2, analyse how redistribution of income and wealth can be achieved through taxation and government spending.</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 solutions include:

• progressive taxes – increase in tax rates on higher earners/lowering tax rates on lower earners
• increase in personal tax allowances
• increase in benefits for those on low/no incomes
• taxes on assets/wealth, eg property tax, inheritance tax
• supply-side policies, eg investment in education.

Must cover issue of redistribution to reach L2.
Must mention possible ways for both income and wealth, to be awarded top of L3.

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** examples of direct taxes used in the UK.	2
		AO1 = 2 **Answers include:** • income tax • National Insurance contributions • corporation tax • capital gains tax • inheritance tax. **Note**: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

Qu	Part	Marking guidance	Total marks
17		Explain **one** role of a commercial bank.	2
		AO1 = 2 **Marks** / **Description** **2** – Role of commercial bank explained. **1** – Role of commercial bank identified. **0** – Nothing written worthy of credit. **Possible ethical issues include:** • lending money to those wishing to borrow • accepting deposits from those who want a secure place to store/save money • facilitate electronic monetary transactions between customers. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

<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 disadvantage of using supply-side policies.</td><td>2</td></tr>
<tr><td></td><td></td><td>AO1 = 2

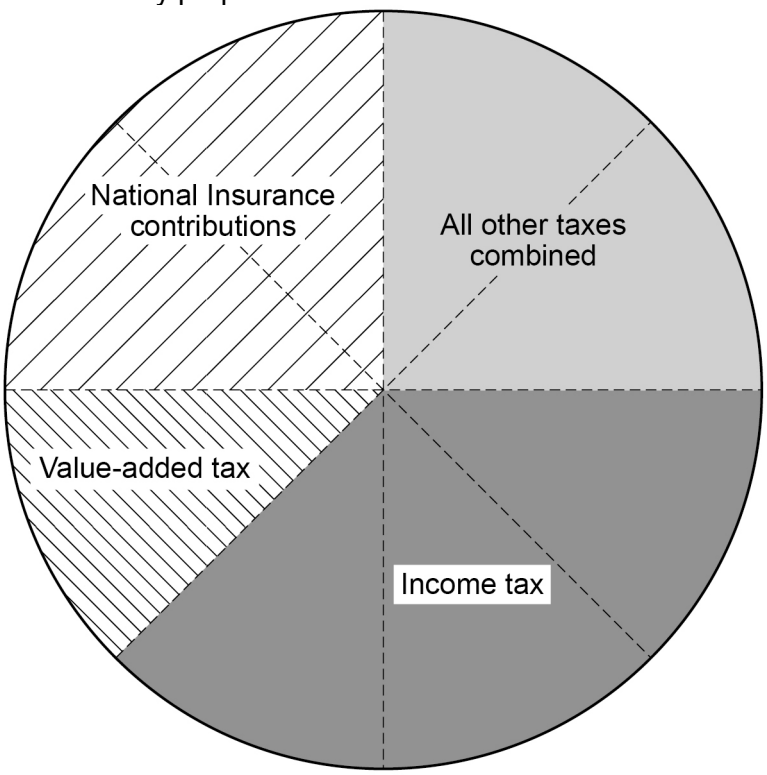
<table><tr><th>Marks</th><th>Description</th></tr><tr><td>2</td><td>Disadvantage of using supply-side policies explained.</td></tr><tr><td>1</td><td>Disadvantage of using supply-side policies identified.</td></tr><tr><td>0</td><td>Nothing written worthy of credit.</td></tr></table>
Answers include:

• may be expensive
• may take a long time to be effective
• effects are often uncertain
• creates trade-offs with inequality/poverty (potentially).

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
19	**1**	A person earns an annual income of £35 000 from working. Using **Table 4**, calculate the amount of income tax this person pays. Show your working.	2
		AO2 = 2 **Answer:** • £5250 (2 marks) • taxable income = (£35 000 – £14 000 = £21 000) (1 mark) • £21 000 × 25% = £5250 (2 marks) • if tax is calculated on total income (ie £35 000 x 25% = £8750) award 1 mark	

Qu	Part	Marking guidance	Total marks
19	**2**	Explain what is meant by a progressive tax.	2
		AO1 = 2 **Marks** / **Description** **2** – Clear explanation of progressive tax. **1** – Partial or unclear explanation of progressive tax. **0** – Nothing written worthy of credit. **Possible answers include:** • higher earners pay a higher proportion of their income in tax (2 marks) • higher earners pay more tax (1 mark). **Note**: This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

Qu	Part	Marking guidance	Total marks
20		Use **Table 5** to complete the pie chart on the opposite page to show the proportions of total tax revenue collected for each of the following taxes: • income tax • value-added tax • National Insurance contributions. Additional information: • the area for 'All other taxes combined' has already been completed • each segment shown on the pie chart on the next page represents 45 degrees • use of a protractor is **not** required.	3
		Different taxes collected by a government in 1 year by proportion of overall tax calculated  	
		AO2 = 3 **Answer:** • award 1 mark for each segment correctly drawn and labelled • 2 marks max if no labelling present. Order in which segments appear does not matter. Labels can appear in the pie chart or by arrow pointing to correct area from outside or a key/legend. Allow some leniency if free-hand drawing of segments is not a 'perfect' fit – it must look a close enough match though.	

Qu	Part	Marking guidance	Total marks
21		Using **Figure 3**, assess whether an indirect tax on junk food can help solve the market failure caused by obesity.	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:

Tax on junk food can help because:
- makes product more expensive – less affordable
- people may switch to cheaper/healthier alternatives
- raises money for governments to use elsewhere.

Tax on junk food will not help because:
- price may not be important for consumers (ie price inelastic)
- no close substitutes exist/substitutes are too expensive

		• difficult to decide what to tax – ingredients or final product • other methods may be more effective (eg regulations, advertising, public education) • indirect tax may hit poor groups harder. Evaluation issues: • money raised in tax could be used to subsidise 'healthier' food • works better if there are close substitutes that are better options (similar in a way to diet/non-diet soft drinks alternatives) • relevant comments on merits/drawbacks of other methods. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

Qu	Part	Marking guidance	Total marks
22		Define the term 'demand-pull inflation'.	2
		AO1 = 2 **Marks** / **Description** **2** – Clear definition of demand-pull inflation. **1** – Partial or unclear definition of demand-pull inflation. **0** – Nothing written worthy of credit. **Answer:** A rise in average prices caused by excessive spending/fast increases in the level of demand in the economy. Level 1 answers are likely to define inflation but not the demand-pull element clearly enough.	

Qu	Part	Marking guidance	Total marks
23		Using **Table 6**, calculate the UK's (mean) average inflation rate for the years 2021 and 2022 to **one** decimal place.	3
		AO2 = 3 **Answer:** 2021 Inflation = (110.1 – 108.5)/108.5 x 100 = 1.5% 2022 Inflation = (120.0 – 110.1)/110.1 x 100 = 9.0% Average inflation = (1.5 + 9.0)/2 = 5.3% (allow 5.2% as correct – this would occur if rounding only took place in calculation of mean.) 3 marks for correct answer (5.3% or 5.2%) Breakdown of marks: • 1 mark for each correct inflation calculation (does not have to be rounded to 1dp) • 1 mark for correct mean based on incorrectly calculated inflation rate(s) • 2 marks maximum if correct answer is not to one decimal place • Percentage sign is not needed.	

Qu	Part	Marking guidance	Total marks
24		Using **Item A**, explain **two** possible effects of increasing interest rates.	6
		AO2 = 6 Apply grid twice: **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 include:** • decrease in consumption • increase in unemployment • reduction in inflation • decrease in (business) investment • increase in exchange rate • effects on individuals eg borrowers and savers. **Note:** This indicative content is not exhaustive, other creditworthy responses should be awarded marks as appropriate.	

<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 how government policies can increase economic growth.</td><td>6</td></tr>
<tr><td></td><td></td><td>AO2 = 2, AO3 = 4

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<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 include:

• reduction in interest rates
• increase in government spending
• reduction in taxation
• supply-side policies.

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>Do you think aiming for price stability should always be an economic priority for governments? Use Item A and Item B and your own economic knowledge to 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.

Analysis of a relevant selection of the economic evidence with no chain of reasoning attempted.</td></tr>
</table></td><td></td></tr>
</table>

		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:

Governments should always aim for price stability:
- there are costs associated with inflation – shoe leather, menu, etc
- inflation can harm ability to achieve~~d~~ balance on current account of balance of payments
- those on fixed incomes experience larger reductions in real incomes
- price stability is more likely to lead to improved business/consumer confidence
- use of data.

Governments should not always aim for price stability:
- aiming for price stability may mean raising interest rates
- taxes may need to rise
- aiming for price stability may conflict with other objectives
- use of data.

Evaluation:
- governments have a range of objectives – sometimes other objectives may be more important
- depends on the level of inflation
- the Bank of England target for inflation allows some tolerance around 2% inflation rate for price stability
- time lags may create difficulties
- opportunity cost of methods – ie trade-offs and conflicts.

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